

# Future Knowledge Services Limited

Annual Report

2010 - 11

## DIRECTORS' REPORT

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To,  
The Members  
Future Knowledge Services Limited

Your Directors are pleased to present the Fifth Annual Report of the Company for the financial year ended 31 March, 2011.

### FINANCIALS

Particulars	(Rs.in lacs)	
	For the year ended 31.03.2011	For the year ended 31.03.2010
Sales & Services	-	5783.37
Other Income	5.63	6.28
<b>Total Income</b>	<b>5.63</b>	<b>5789.65</b>
<b>Total expenditure</b>	<b>(247.23)</b>	<b>6258.99</b>
Profit/ (Loss) before taxes & provisions	<b>(241.60)</b>	(469.33)
Provisions	-	(77.74)
Profit/ (Loss) after taxes & provisions	<b>(241.60)</b>	(547.07)
Earning per share (Basic)	<b>(0.54)</b>	(1.32)

During the year, due to re-alignment process the business of the Company have been transferred to nufuture Digital (India) Limited (*formerly known as Erudite Knowledge Services Limited*) as a result of that Company's revenue during this year is NIL as against Rs.57.90 Cr during the previous financial period. However, due to higher interest charges, the Company has incurred a loss of Rs.2.41 Cr as against Rs.5.47 Cr during the previous financial year.

### DIVIDEND

In view of losses, your Directors do not recommend any dividend for the year under review.

### FIXED DEPOSIT

The Company has not accepted any deposit within the meaning of section 58A of the Companies Act, 1956 from public during the year under review.

### DIRECTORS

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956, Mr. C P Toshniwal retires at the ensuing annual general meeting of the Company and being eligible offer himself for appointment as Director. The Board re-commends his appointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

to the requirement under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Board of Directors of the Company hereby state and confirmed that:

1. in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. the selected accounting policies were applied consistently and the Directors 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 as at 31 March, 2011 and that of the loss of the Company for the year ended on that date;
3. the proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
4. the annual accounts have been prepared on a 'going concern' basis.

### **AUDITORS**

M/s. NGS & Co., Chartered Accountants, Mumbai hold office as Statutory Auditors of the Company upto the conclusion of the ensuing Annual General Meeting. The Board has proposed to appoint M/s. NGS & Co., Chartered Accountants, Mumbai as the auditors of the Company. They have issued a certificate to the effect that their re-appointment, if made at the ensuing annual general meeting, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956. Members are requested to consider and approve the appointment of M/s. NGS & Co. as auditors of the Company.

### **PARTICULARS OF EMPLOYEES**

The Company has no employee drawing remuneration in excess of the limits specified under section 217(2A) of the Companies Act, 1956.

### **AUDIT COMMITTEE**

The Company has established an Audit Committee pursuant to the provisions of section 292A of the Companies Act, 1956. The said Committee consists of the following directors:

1. Mr. C P Toshniwal - Non - Executive Director
2. Mr. Rakesh Biyani - Non - Executive Director
3. Mr. Vivek Biyani - Non - Executive Director

### **CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

A	Conservation of Energy	:	None
B	Technology Absorption	:	Not applicable to the Company since the Company does not have / use any technology.
C	Technology Absorption, adaptation & innovation	:	Not applicable to the Company since the Company does not have / use any technology.
D.	Foreign Exchange Earnings & Outgo	:	

Activities relating to export /Services	: None
Initiative taken to increase exports	: Not Applicable
Development of new Export markets for products and services	: None
Export Plans	: Not Applicable
Foreign Exchange Earned	: Nil
Foreign Exchange Spent	: Rs. 192.09 Lacs (P.Y.Rs. 112.08 Lacs)

Form A to the Annexure to the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988 does not apply to the Company.

#### **ACKNOWLEDGEMENT**

The Board desires to place on record, its appreciation to all employees at all level for their dedicated efforts. Your Directors also wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by the Government, bankers and other stakeholders and look forward to their continued support.

For and on behalf of the Board of Directors

Sd/-  
C. P. Toshniwal  
Director

Sd/-  
Rakesh Biyani  
Director

24th August 2011, Mumbai

**Auditor's Report**

To,  
**The Members of Future Knowledge Services Limited**

1. We have audited the attached Balance Sheet of Future Knowledge Services Limited as at March 31, 2011 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 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) (the Order) 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.
  - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 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 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;



# NGS & Co.

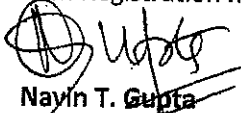
Chartered Accountants

5. a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;  
b) in the case of the profit and loss account, of the loss for the year ended on that date; and  
c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For NGS & Co**

Chartered Accountants

Firm Registration no. 119850W



Navin T. Gupta

Partner

Membership No. 40334

Mumbai

August 24, 2011



# NGS & Co.

Chartered Accountants

Annexure to the Auditors' Report of even date to the members of Future Knowledge Services, on the financial statements for the year ended March 31, 2011.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Since the Company has disposed the fixed assets during the year, there was no need to conduct physical verification of the fixed assets.
- (c) The Company has disposed substantial part of the fixed assets during the year. In our opinion and according to the information and explanations furnished to us, this disposal of fixed assets does not affect the going concern status of the Company.
- (ii) The Company does not have any inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) The Company has not granted/taken any loan, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Act. Therefore the provisions of clauses 4(iii) of the Order are not applicable to the Company.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and inventories and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in internal controls in respect of these areas.
- (v) The Company has not entered into contracts or arrangements referred to in section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.
- (vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Therefore the provisions of clause 4(vi) of the Order are not applicable to the Company.
- (vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system which is commensurate with the size and nature of business of the Company.
- (viii) Since the Company is neither engaged in manufacturing, processing, production and mining activities, to the best of our knowledge and belief, Section 209(1)(d) is



CONTINUATION SHEET

# NGS & Co.

Chartered Accountants

**Annexure to the Auditors' Report of even date to the members of Future Knowledge Services, on the financial statements for the year ended March 31, 2011.**

not applicable to the Company. Therefore the provisions of clause 4(viii) of the Order are not applicable to the Company.

- (ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.
- (b) Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.
- (c) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has been registered for a period of less than five years. Accordingly, the provisions of clause 4(x) of the Order are not applicable.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a bank or debenture holders during the year. There were no amounts payable to financial institutions during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore the provisions of clause 4(xii) of the Order are not applicable to the Company.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) The Company has not given any guarantees 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.





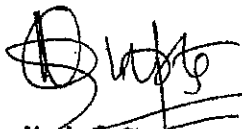
# NGS & Co.

Chartered Accountants

Annexure to the Auditors' Report of even date to the members of Future Knowledge Services, on the financial statements for the year ended March 31, 2011.

- (xvi) The Company did not have any terms loans outstanding during the year. Therefore, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
- (xvii) According to the information given to us and on the basis of 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.
- (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 Act. Therefore the provisions of clause 4(xviii) of the Order are not applicable to the Company.
- (xix) The Company has not issued any debentures during the year. Therefore the provisions of clause 4(xix) of the Order are not applicable to the Company.
- (xx) The Company has not raised any money by public issues during the year. Therefore the provisions of clause 4(xx) of the Order are 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.

For NGS & Co  
Chartered Accountants  
Firm Registration no. 119850W



Navin T. Gupta  
Partner  
Membership No. 40334



Mumbai  
August 24, 2011

**FUTURE KNOWLEDGE SERVICES LIMITED**

**BALANCE SHEET AS AT MARCH 31, 2011**

(Rs. in '000)

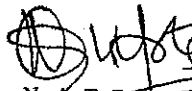
PARTICULARS	Sch. No.	As At March 31, 2011	As At March 31, 2010
<b>I SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	446,977.90	446,977.90
<b>LOAN FUNDS</b>			
Secured Loan	2	-	31,890.06
Unsecured Loan	3	710,000.00	710,000.00
		<b>1,156,977.90</b>	<b>1,188,867.96</b>
<b>II APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	-	789,198.76
Less : Depreciation		-	115,728.88
Net Block		-	673,469.88
Capital Work-in-Progress		-	182,655.23
<b>INVESTMENTS</b>	5	280,800.00	280,800.00
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Sundry Debtors	6	-	174,757.56
Cash and Bank Balances	7	191.71	12,569.97
Loans and Advances	8	777,948.45	695,342.98
		<b>778,140.16</b>	<b>882,670.51</b>
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	9	6,113.40	902,475.79
Provisions	10	-	8,243.13
		<b>6,113.40</b>	<b>910,718.92</b>
<b>NET CURRENT ASSETS</b>		<b>772,026.79</b>	<b>(28,048.41)</b>
<b>PROFIT AND LOSS ACCOUNT</b>		<b>104,151.11</b>	<b>79,991.26</b>
		<b>1,156,977.90</b>	<b>1,188,867.96</b>

**NOTES TO ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES**

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 attached  
For NGS & CO.  
Chartered Accountants

  
Navin T. Gupta  
Partner  
Membership No.: 40334



For and on behalf of Board of Directors  
FUTURE KNOWLEDGE SERVICES LIMITED

  
C.P. Toshniwal  
Director

  
Rakesh Biyani  
Director



Place: Mumbai  
Date: August 24, 2011

**FUTURE KNOWLEDGE SERVICES LIMITED**

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

(Rs. in '000)

PARTICULARS	Sch. No.	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>INCOME</b>			
Sales & Services	11	-	578,337.33
Other Income	12	562.67	628.40
		<b>562.67</b>	<b>578,965.73</b>
<b>EXPENDITURE</b>			
Personnel Cost	13	-	164,454.07
Operating and Other Expenses	14	115.94	340,608.15
Finance Charges	15	24,606.57	24,008.03
Depreciation	4	-	96,828.27
		<b>24,722.52</b>	<b>625,898.53</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(24,159.85)</b>	<b>(46,932.80)</b>
<b>Less: Provision for Taxation</b>			
a) Current Tax		-	-
b) Fringe Benefit Tax		-	-
c) Deferred Tax		-	(7,773.77)
<b>Profit/(Loss) After Taxation</b>		<b>(24,159.85)</b>	<b>(54,706.57)</b>
Balance Brought Forward		(79,991.26)	(25,284.69)
<b>Balance carried to Balance Sheet</b>		<b>(104,151.11)</b>	<b>(79,991.26)</b>

Earnings Per Share Rs. (Face Value Rs.10)

Basic	(0.54)	(1.32)
Diluted	(0.54)	(1.32)

**NOTES TO ACCOUNTS & SIGNIFICANT ACCOUNTING POLICIES** 16

The Schedules referred above form an integral part of the Profit and Loss Account

As per our Report of even date attached  
For NGS & Co.

Chartered Accountants



Navin T. Gupta

Partner


Membership No.: 40334




Place: Mumbai

Date: August 24, 2011

For and on behalf of Board of Directors  
FUTURE KNOWLEDGE SERVICES LIMITED

  
C.P. Toshniwal  
Director

  
Rakesh Biyani  
Director



**FUTURE KNOWLEDGE SERVICES LIMITED**

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011**

(Rs. in '000)

PARTICULARS	As At March 31, 2011	As At March 31, 2010
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
5,00,00,000 Equity Shares Rs.10/- each.	500,000.00	500,000.00
	<b>500,000.00</b>	<b>500,000.00</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
4,46,97,790 Equity Shares of Rs.10/- each fully paid (Of the above 4,46,97,790 equity shares are held by Pantaloon Retail (India) Ltd., the holding company, out of which 6 shares are held by its nominees)	446,977.90	446,977.90
	<b>446,977.90</b>	<b>446,977.90</b>
<b>SCHEDULE 2: SECURED LOANS</b>		
Bank Overdraft	-	31,890.06
	-	31,890.06
<b>SCHEDULE 3: UNSECURED LOANS</b>		
<b>Debentures:</b>		
71,000 Compulsory Convertible Debenture of Rs.10,000/- each fully paid	710,000.00	710,000.00
	<b>710,000.00</b>	<b>710,000.00</b>



FUTURE KNOWLEDGE SERVICES LIMITED

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011

SCHEDULE 4: FIXED ASSETS

Particulars	Gross Block (At Cost)					Depreciation / Amortisation			Net Block	
	As at April 01, 2010	Additions	Deductions	As at March 31, 2011	As at April 01, 2010	For the year	Deduction	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
	(Rs. in '000)									
Office Equipments	1,739.06		1,739.06	-	670.03	-	670.03	-	-	1,069.03
Computer & Software	747,959.86		747,959.86	-	108,186.31	-	108,186.31	-	-	639,773.55
Furniture & Fittings	15,294.43		15,294.43	-	1,765.80	-	1,765.80	-	-	13,528.63
Electrical Installations	9,739.77		9,739.77	-	539.95	-	539.95	-	-	9,199.82
Leasehold Improvements	10,449.30		10,449.30	-	2,340.94	-	2,340.94	-	-	8,108.35
Employee Related Assets	4,016.34		4,016.34	-	2,225.85	-	2,225.85	-	-	1,790.49
Previous Year	789,198.76	-	789,198.76	-	115,728.88	-	115,728.88	-	-	673,469.87
Capital Work-in-progress	501,147.96	288,440.50	389.70	789,198.76	18,900.61	96,828.27	-	115,728.88	673,469.88	482,247.35
										182,655.23



**FUTURE KNOWLEDGE SERVICES LIMITED**

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2011**

(Rs. in '000)

PARTICULARS	As At March 31, 2011	As At March 31, 2010
<b>SCHEDULE 5: INVESTMENTS</b>		
<b>UNQUOTED SHARES</b>		
<b>LONG TERM - NON TRADE</b>		
2,77,93,700 Equity Shares of Rs.10 each fully paid up of Future Venture India Ltd.	280,800.00	280,800.00
Aggregate cost of Unquoted Investments	<b>280,800.00</b>	<b>280,800.00</b>
<b>SCHEDULE 6: SUNDRY DEBTORS</b>		
(Unsecured, Considered Good)		
Debt Outstanding For More Than Six Months	-	5,496.05
Other Debts	-	169,261.51
	-	<b>174,757.56</b>
<b>SCHEDULE 7: CASH &amp; BANK BALANCES</b>		
Cash in Hand	-	104.74
Balance with Scheduled Banks :		
- in Current Accounts (including in transit)	191.71	380.05
- in Fixed Deposits	-	10,298.15
- in Fixed Deposits as margin money	-	1,787.03
	<b>191.71</b>	<b>12,569.97</b>
<b>SCHEDULE 8: LOANS &amp; ADVANCES</b>		
(Unsecured, Considered good)		
Advances Recoverable in cash or in kind or for value to be received	763,388.16	668,375.66
Deposits	-	9,363.22
Payments / Deductions of Income Tax	14,560.29	17,604.10
(Net of provisions for income tax Rs Nil ; 2010 ; Rs. Nil )		
	<b>777,948.45</b>	<b>695,342.98</b>
<b>SCHEDULE 9: LIABILITIES</b>		
Acceptances	-	82,986.78
Sundry Creditors	-	126,198.78
Advances from Customers	-	649,973.98
Interest accrued but not due	6,058.25	6,092.63
Other Liabilities	55.15	37,223.62
	<b>6,113.40</b>	<b>902,475.79</b>
<b>SCHEDULE 10: PROVISIONS</b>		
Provision for Leave Encashment and Gratuity	-	8,243.13
	-	<b>8,243.13</b>



**FUTURE KNOWLEDGE SERVICES LIMITED**

**SCHEDULES TO PROFIT & LOSS ACCOUNT FOR YEAR ENDED MARCH 31, 2011**

(Rs. in '000)

PARTICULARS	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>SCHEDULE 11: SALES AND SERVICES</b>		
Income from Software Services	-	560,841.83
Sales	-	18,195.32
Less : VAT	-	699.82
Sales (Net of VAT)	-	17,495.50
	-	578,337.33
<b>SCHEDULE 12: OTHER INCOME</b>		
Interest on Fixed Deposits (TDS: Rs 31.94 thousand; 2010: Rs 41.72 thousand)	285.86	417.29
Interest others	276.81	15.12
Sundry Balances written back	-	113.10
Miscellaneous Income	-	82.89
	562.67	628.40
<b>SCHEDULE 13: PERSONNEL COST</b>		
Salaries, Wages and Bonus	-	150,704.71
Contribution to Provident and Other Funds	-	10,154.21
Gratuity and Leave encashment	-	2,359.41
Welfare expenses	-	1,235.74
	-	164,454.07
<b>SCHEDULE 14: OPERATING AND OTHER EXPENSES</b>		
Infrastructure Management Services and Hosting Charges	-	257,269.68
Electricity Charges	-	7,144.50
Rent	-	27,421.86
Rates and Taxes	10.98	1,502.03
Insurance	8.73	2,274.46
Repairs and Maintenance - Others	-	9,002.56
Travelling and Conveyance Expenses	-	12,303.95
Communication Expenses	-	2,732.63
Legal and Professional Charges	35.52	8,289.86
Auditors' Remuneration	55.15	215.00
Exchange Fluctuation Loss	1.10	5,788.08
Guest House Expenses	-	2,224.63
Share Issue Expenses	-	1,966.90
Miscellaneous Expenses	4.47	2,472.01
	115.94	340,608.13
<b>SCHEDULE 15: FINANCE CHARGES</b>		
Interest :		
- on Debentures	24,316.41	19,278.70
- on Other Loans	290.16	69.88
Bank Charges	-	-
Bill Discounting Charges	-	4,659.46
	24,606.57	24,008.03



**FUTURE KNOWLEDGE SERVICES LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

(Rs. in '000)

	For the Year ended 31st March, 2011	For the Year ended 31st March, 2010
<b>A Cash Flow from Operating Activities</b>		
Net Profit/(Loss) Before Tax and Extraordinary items	(24,159.85)	(46,932.80)
Depreciation	-	96,828.27
Financial Charges	24,606.57	315.81
<b>Operating Profit before Working Capital Changes</b>		
Adjusted For:		
(Increase)/Decrease in Trade and other receivable	174,757.56	27,823.48
(Decrease)/Increase in Current Liabilities	(896,362.39)	536,316.74
(Increase)/Decrease in Loans & Advance	(82,605.47)	(664,866.06)
Provisions	(8,243.13)	1,948.59
<b>Net Cash generated from Operations</b>	<b>(812,006.71)</b>	<b>(48,565.98)</b>
Direct Taxes		
<b>Net Cash generated from Operating Activities</b>	<b>(812,006.71)</b>	<b>(48,565.98)</b>
<b>B Cash Flow from Investing Activities</b>		
(Increase)/Decrease in Fixed Assets	673,469.88	(288,050.80)
(Increase)/Decrease in Capital Work-in-Progress	182,655.23	(115,811.05)
(Increase)/Decrease in Investment	-	(280,800.00)
<b>Net Cash from Investing Activities</b>	<b>856,125.11</b>	<b>(684,661.85)</b>
<b>C Cash flow From Financing Activities</b>		
Share Application Monies pending allotment	-	(216,911.00)
Finance Charges	(24,606.57)	(315.81)
Secured Loan-Bank Overdraft	(31,890.06)	31,890.06
Unsecured Loan	-	710,000.00
Issue of Equity Share Capital	-	218,877.90
<b>Net Cash Flow from Financing Activities</b>	<b>(56,496.63)</b>	<b>743,541.14</b>
<b>Net Increase in Cash and Cash Equivalent during the Year (A+B+C)</b>	<b>(12,378.23)</b>	<b>10,313.32</b>
Cash and Cash equivalents (Opening Balance)	12,569.97	2,256.65
<b>Cash and Cash equivalents (Closing Balance)</b>	<b>191.71</b>	<b>12,569.97</b>

	2010-2011	2009-2010
<b>Cash and Cash Equivalents include:</b>		
Cash in Hand (as Certified)	-	104.74
Balance with Scheduled Banks:		
- in Current Account (including in transit)	191.71	380.05
- in Fixed Deposit Account	-	12,085.18
	<b>191.71</b>	<b>12,569.97</b>

**Notes:**

<sup>1</sup> The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.

Place : Mumbai  
Date: August 24, 2011



For and on behalf of Board of Directors  
**FUTURE KNOWLEDGE SERVICES LIMITED**

*[Signature]*  
CP Toshniwal  
Director

*[Signature]*  
Rakesh Biyani  
Director

**AUDITOR'S CERTIFICATE**

We have examined the attached Cash Flow Statement of Future Knowledge Services Limited for the year ended March 31, 2011. This statement has been prepared by the Company in accordance with the requirements of the Accounting Standard - 3 issued by ICAI and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by our report of August 17, 2010 to the Members of the Company.

For NGS & CO.,  
Chartered Accountants

*[Signature]*  
Navin T. Gupta  
Partner  
Membership No.: 40334



Place : Mumbai  
Date: August 24, 2011



## FUTURE KNOWLEDGE SERVICES LIMITED

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011

##### A. SIGNIFICANT ACCOUNTING POLICIES

###### 1. Basis of Accounting

The financial statements are prepared under historical cost convention on accrual basis and in accordance with applicable accounting standards notified by the Government of India / issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

###### 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 period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. Difference between the actual results and estimates is recognized in the period in which the results are known / materialized.

###### 3. Fixed Assets and Depreciation

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price and all attributable cost of bringing the asset to its working condition for its intended use. Financing and other cost relating to acquisition of fixed assets are also included to the extent they relate to the period till such time as the assets are ready for commercial operation. Depreciation is provided on Straight Line Method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except Leasehold improvements which are amortized over the lease period; additions below Rs.5,000 which are depreciated 100% in the year of purchase and employee prerequisite-related assets which are depreciated over three years.

###### 4. Transactions in Foreign Currency

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

###### 5. Revenue Recognition

Interest revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate/s applicable.

###### 6. Provision for Current and Deferred Tax

Tax expense comprises of current and deferred tax. Provision for current tax is made on the basis of estimated taxable income for the current accounting period in accordance with the provisions of Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax assets is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realized in future. In situation, where the company has carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

###### 7. Investments

Long-term investments are stated at cost. Provision for diminution is being made if necessary to recognize a decline, other than temporary in the value thereof.



## 8. Retirement and other employee benefits

### Short Term Employee Benefits

All employee benefits payable within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, performance incentives, etc, are recognized as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the employee renders the related service.

### Post Employment Benefits

#### a) Defined Contribution Plans

Defined Contribution to Provident Fund is charged to the Profit & Loss Account as incurred. There are no other obligations other than the contribution payable to the respective statutory authorities.

#### b) Defined Benefit Plans

Company's liability towards gratuity to past employees is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognized immediately in the Profit & Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government Securities where the currency and terms of the Government Securities are consistent with the currency and estimate terms of the defined benefit obligations. During the current year end, the accrued liability towards gratuity is provided on actuarial basis as on the Balance Sheet date as per revised Accounting Standard AS-15 "Employee Benefits" (Revised) as issued by the Institute of Chartered Accountants of India.

#### c) Other Long Term Employee Benefits

Other Long Term Employee Benefits viz, Leave encashment are recognized as an expense in Profit & Loss Account as and when it accrues. The Company determines the liability using the Projected Unit Credit Method, with the actuarial valuation carried out as at the Balance Sheet date. Actuarial gain and losses in respect of such benefit are charged to Profit & Loss Account.

## 9. Impairments of Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any indications exist, the assets recoverable amount is estimated. 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 based on average pre-tax borrowing rate of the country where the assets are located, adjusted for risks specific to the asset.

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

A previously recognized impairment loss is increased or decreased depending on changes in circumstances. However, an impairment loss is not decreased to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the prior year.

## 10. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.



## 11. Earning Per Share

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

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

### A. NOTES TO ACCOUNTS

1. Contingent Liabilities not provided for Rs. Nil (2010: Rs. Nil)
2. Estimated amount of contracts pending execution (net of advances): Rs. Nil (2010: Rs. 30,112.91 thousand)

#### 3. Debts due from Companies under same Management

Sundry Debtors includes amounts due from following companies under the same management within the meaning of sub-section (1B) of Section 370 of the Companies Act, 1956.

Name of the Company	(Rs. In '000)	
	2010-2011	2009-2010
Pantaloon Retail (India) Ltd.	-	12,400.14
Future Value Retail Ltd.	-	1,37,943.33
Home Solutions Retail (India) Ltd.	-	2,745.11
Future Agrovet Ltd.	-	8,869.02
Future E Commerce India Ltd.	-	2,579.28
Future Supply Chain Ltd. (Formerly Future Logistics Solution Ltd.)	-	8,274.24
Future Media India Limited	-	248.18
Staples Future Office Products Private Limited	-	595.62

#### 4. Related Party Transactions

Disclosure as required by the Accounting Standard 18 "Related Party Disclosure" are given below:

##### (A) List of Related Parties

- (a) Holding Company
  - Pantaloon Retail (India) Ltd.
- (b) Fellow Subsidiary Companies
  - Home Solutions Retail (India) Ltd.
  - Future Supply Chain Ltd. (Formerly Future Logistics Solution Ltd.)
  - Future Agrovet Ltd.
  - Future E-Commerce Infrastructure Ltd.
  - Future Mobiles and Accessories Ltd.
  - Future Value Retail Ltd.
  - Future Media India Limited.
- (c) Joint Ventures
  - Staples Future Office Products Private Limited.



**B) Transactions with Related Parties**

During the year, following transactions were carried out with the related parties in the ordinary course of business.

(Rs. In '000)				
Sr.No	Nature of Transactions	Holding Company	Fellow Subsidiary Companies	Total
1	Share Application Money Received. 2010	- (1966.90)	- (-)	- (1966.90)
2	Share Allotment 2010	- (2,18,877.90)	- (-)	- (2,18,877.90)
3	Advance Given 2010	- (10,79,200.00)	- (-)	- (10,79,200.00)
4	Advance Repaid 2010	30,180.98 (-)	- (-)	30,180.98 (-)
5	Income from Services 2010	- (3,78,042.72)	- (1,97,444.76)	- (5,75,487.48)
6	Purchase of Fixed Assets 2010	- (2,14,847.82)	- (35,256.750)	- (2,50,104.57)
7	Reimbursement of Expenses 2010	- (8,949.74)	- (1,294.42)	- (10,244.16)
8	<b>Outstanding Balance as on March 31, 2011</b>			
	Receivable	6,23,863.71	-	6,23,863.71
	2010	(6,54,044.69)	(1,60,659.15)	(8,14,703.84)

**5. Auditors Remuneration**

Particular	(Rs. In '000)	
	2010-11	2009-10
Statutory Audit Fees	55.15	200.00
Tax Audit Fees	-	15.00
<b>Total</b>	<b>55.15</b>	<b>215.00</b>



6. **Earning Per Share**

The calculation of Earning Per Share (EPS) as disclosed in the Balance Sheet Abstract has been made in accordance with Accounting Standard 20 on Earning Per Share issued by the Institute of Chartered Accountants of India. A statement on calculation of EPS is as under:

	As at March 31, 2011	As at March 31, 2010
Net profit considered for basic EPS calculation (Rs in '000)	(24,159.85)	(54,706.57)
Weighted average number of equity shares for calculating Basic EPS (Nos)	4,46,97,790	4,13,99,630
Weighted average number of equity shares for calculating Diluted EPS (Nos)	4,46,97,790	4,46,97,790
Nominal value per share	Rs.10	Rs.10
Basic EPS (Rs.)	(0.54)	(1.32)
Diluted EPS (Rs.)	(0.54)	(1.32)

Since the impact of conversion of Compulsory Convertible Debenture is anti-dilutive, it has been ignored for calculation of diluted EPS.

7. **Employee Benefits**

The Amount recognized in the Company's financial statements as at the year-end is as under:

A. **Change in Present Value of Obligation**

Particulars	(Rs. In '000)			
	Gratuity (Unfunded)		Leave encashment (Unfunded)	
	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
Present Value of the Obligation as on April 1, 2010	-	3,549.40	-	2,745.14
Interest Cost	-	283.95	-	219.61
Current Service Cost	-	2,162.34	-	1,518.29
Benefits Paid	-	(27.93)	-	(407.53)
Actuarial (gain)/ loss on obligations	-	(1,640.65)	-	(159.49)
<b>Present Value of the Obligation as on March 31, 2011</b>	-	<b>4,327.11</b>	-	<b>3,916.02</b>

B. **Amount recognized in the Balance Sheet**

Particulars	(Rs. In '000)			
	Gratuity (Unfunded)		Leave encashment (Unfunded)	
	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
Present Value of the Obligation as on March 31, 2011	-	4,327.11	-	3,916.02
Fair value of plan assets	-	-	-	-
<b>Un-funded Liability</b>	-	<b>4,327.11</b>	-	<b>3,916.02</b>
Unrecognized actuarial gains/ losses	-	-	-	-
<b>Un-funded liability recognized in Balance Sheet</b>	-	<b>4,327.11</b>	-	<b>3,916.02</b>



C. Amount recognized in the Profit and Loss Account

(Rs. In '000)

Particulars	Gratuity (Unfunded)		Leave encashment (Unfunded)	
	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
Interest Cost	-	283.95	-	219.61
Current Service Cost	-	2,162.34	-	1,518.29
Expected Return on Plan Assets	-	-	-	-
Actuarial (gain)/ loss on obligations	-	(1,640.65)	-	(159.49)
<b>Total Expense recognized in the Profit and Loss Account</b>	-	805.64	-	1578.41

D. The Assumptions used to determine the benefit and obligations are as follows

Particulars	Gratuity	Leave Encashment
Discount Rate	8.00%	8.00%
Expected Rate of increase in Compensation Levels	5.00%	5.00%
Expected Rate of Return on Plan Assets	N.A.	N.A.

The estimate of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotions and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

8. Deferred Tax Assets and Liabilities

The details of Deferred tax Liability / Assets arising on account of timing difference are as follows:-

(Rs. In '000)

	2010-11	2009-10*
<b>Deferred Tax Liabilities</b>		
On depreciation	-	1,05,073.18
<b>Total</b>	-	1,05,073.18
<b>Deferred Tax Assets</b>		
On provision for gratuity & leave encashment.	-	602.11
On carried forward losses and unabsorbed depreciation	-	1,04,471.07
<b>Total</b>	-	1,05,073.18
<b>Deferred Tax (Assets) / Liabilities (Net)</b>	-	-

\*In absence of virtual certainty to generate future taxable income against which deferred tax credit can be realized, deferred tax assets on unabsorbed depreciation carry forward losses and other items are recognized only to the extent of the deferred tax liability.

9. Segmental Reporting

Since the company operates in single segment there are no separate reportable segments as per Accounting Standard 17. The operations of the Company are only within India and accordingly no disclosure is made in respect of the secondary segment.

10. Micro, Small and Medium Enterprises

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



11. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part II of the Schedule VI of the Companies Act, 1956 is not provided, to the extent it is Nil or not applicable to the Company.

12. Sales, Purchase, Opening & Closing Stock

Class of Goods	Units of Measure	Opening Stocks		Purchase		Sales		Closing Stock	
		Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
		Nos	(Rs. in 000)	Nos	(Rs. in 000)	Nos	(Rs. in 000)	Nos	(Rs. in 000)
Computer & Hardware Items	Pcs	-	-	-	-	-	-	-	-
Software Packages		-	-	-	-	-	(17,495.50)	-	-
<b>Total</b>		-	-	-	-	-	(17,495.50)	-	-

13. Value of Imports (on CIF)

Particulars	(Rs. in '000)	
	2010-11	2009-10
Fixed Assets	-	7,134.80

14. Expenditure in Foreign Currency

Particulars	(Rs. in '000)	
	2010-11	2009-10
Professional Fees	-	8,095.24
Travelling Expenses	-	104.48
Interest Expenses on Debentures	19,209.13	11,208.14

15. Earnings in Foreign Currency: Nil (2010: Nil)

16. Compulsorily Convertible Debentures of Rs. 710,000 thousands will be converted on July 1, 2012 at the rate of Rs. 710,000 thousand divided by 7,151,646 shares into company's fully diluted equity on the date of conversion. These debentures bear an interest payable at a rate of LIBOR + 300 basis points per annum.

17. As approved by the shareholders, the company has transferred its knowledge services business, as a going concern, to another company Erudite Knowledge Services Limited, with effect from April 1, 2010 on slump sales basis.

18. Previous Year Comparatives

Previous years figures have been regrouped, recast, rearranged and reclassified wherever necessary to correspond to the figures of the current year.

As per our Report of even date

For NGS & CO,  
Chartered Accountants

Navin T. Gupta  
Partner

Membership No.: 40334

Place : Mumbai

Date : August 24, 2011



For and on behalf of Board of Directors  
FUTURE KNOWLEDGE SERVICES LIMITED

C.P. Toshniwal  
Director

Rakesh Biyani  
Director



**FUTURE KNOWLEDGE SERVICES LIMITED**

**ANNEXURE TO NOTES TO ACCOUNTS TO BALANCE SHEET**  
**AS AT MARCH 31, 2011**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I Registration No. U74999 MH 2007 PLC 167122 State Code - 11  
Balance Sheet Date : March 31, 2011

II Capital raised during the year (Amount Rs. in '000)

Public issue	NIL	Right issue	NIL
Bonus issue	NIL	Private Placement	NIL

III Position of Mobilisation and Deployment of Funds (Amount Rs. in '000)

Total Liabilities	1,156,977.90	Total Assets	1,156,977.90
Sources of Funds		Share Application Money	NIL
Paid up capital	446,977.90	Secured Loans	NIL
Reserves & Surplus	NIL	Unsecured Loans	710,000.00
Unsecured Loans	710,000.00	Application of Funds	
Application of Funds		Fixed Assets	NIL
Fixed Assets	NIL	Preoperative Expenses	NIL
Preoperative Expenses	NIL	Net current Assets	772,026.79
Net current Assets	772,026.79	Capital Work-in-progress	NIL
		Investments	280,800.00
		Misc. Expenditure	104,151.11

IV Performance of Company (Amount Rs. in '000)

Turnover	0.00	Total Expenditure(Net of other income)	24,159.85
Profit / (Loss) before tax	(24,159.85)	Profit / (Loss) after tax	(24,159.85)
Earning per share in Rs.		Dividend rate %	0%
Basic / Diluted	(0.54)		

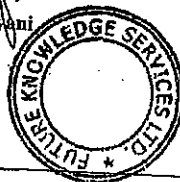
V Generic Names of Principal Products / Services of company (As per Monetary Terms)

Item Code No.	- 85249113
Production Description	- IT Software

For and on behalf of Board of Directors  
FUTURE KNOWLEDGE SERVICES LIMITED

*C.P. Toshniwal*  
C.P. Toshniwal  
Director

*Rakesh Bhatnagar*  
Rakesh Bhatnagar  
Director



Place: Mumbai  
Date: August 24, 2011