



contents

<i>Corporate Information</i>	02	<i>Human Resources</i>	33
<i>Discover Businesses</i>	04	<i>Management Discussion and Analysis</i>	34
<i>Message from The Managing Director</i>	06	<i>Directors' Report</i>	40
<i>Retail</i>	08	<i>Corporate Governance Report</i>	47
<i>Future Ideas</i>	15	<i>Ratios</i>	55
<i>futurebazaar.com</i>	17	<i>10-year Financial Summary</i>	57
<i>Leisure and Entertainment</i>	18	<i>Auditors' Report</i>	59
<i>Specialty Retailing</i>	19	<i>Annexure to Auditor's Report</i>	60
<i>Home Solutions</i>	20	<i>Balance Sheet</i>	62
<i>Joint Ventures</i>	22	<i>Profit and Loss Account</i>	63
<i>Future Capital Holdings</i>	24	<i>Schedules</i>	64
<i>Future Generali</i>	27	<i>Abstract</i>	82
<i>Future Logistics</i>	28	<i>Section 212 Statement</i>	83
<i>Future Media</i>	29	<i>Cash Flow</i>	85
<i>Future Brands</i>	30	<i>Consolidated Accounts</i>	88
<i>Knowledge Services</i>	32		



corporate information

Board of Directors

*Mr. Kishore Biyani
Managing Director*

*Mr. Gopikishan Biyani
Wholetime Director*

*Mr. Rakesh Biyani
Wholetime Director*

*Mr. Shailesh Haribhakti
Director*

*Mr. S. Doreswamy
Director*

*Dr. Darlie Koshy
Director*

*Mr. Anil Harish
Director*

*Ms. Anju Poddar
Director*

*Ms. Bala Deshpande
Director*

*Mr. Ved Prakash Arya
Director*

Statutory Auditors
NGS & CO.

Risk Advisors
Ernst & Young Pvt. Ltd

discover

*One company, multiple businesses,
endless opportunities.*

*Pantaloon, Big Bazaar, Central, Food Bazaar,
Brand Factory, futurebazaar.com ...*

*As we moved from one retail business to
another, keeping in pace with the changing
needs and aspirations of the Indian consumer,
we discovered we can do more.*

Why just retail, why just cater to demand?

*Why not capture consumption, why not
catalyze consumption?*

*We felt the need to discover. To offer a lot
more promise. Offer much more. To more of
India. To more Indians.*

*Discover. For our consumers. For ourselves.
For our partners. And for stakeholders.*

*We moved beyond retail into the entire
consumption space. Building new businesses
in capital, consumer finance, insurance, media,
logistics, brands and of course, more in the
realm of retail.*

*Drawing upon strengths, pooling our insights,
converging synergies, adding force-multipliers,
driving efficiency and spearheading growth.*

*We are not just about retail any more. We are
about the multitude of opportunities that the
new India provides.*

*Join us in our journey of discovering new
customers, new markets, new geographies
and new business possibilities.*

Discover India Tomorrow

Bankers

Bank of India
Axis Bank Ltd.
Andhra Bank
Corporation Bank
HDFC Bank Ltd.
IDBI Bank
State Bank of Travancore
UCO Bank
Standard Chartered Bank
The Federal Bank Ltd.
Union Bank of India

Share Transfer Agents

Intime Spectrum Registry Limited
C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai – 400 078
Tel no. : +91 22 2596 3838
Fax no. : +91 22 25946969

Registered Office & Corporate Office

Knowledge House, Shyam Nagar
Off Jogeshwari Vikhroli Link Road
Jogeshwari (East)
Mumbai – 400 060
Tel no. : +91 22 6644 2200
Fax no. : +91 22 6644 2201

www.pantaloon.com

discover businesses



Retail

Pantaloons, Central, Big Bazaar and Food Bazaar are going through rapid expansion while the company's Innovation and Incubation Group is managing a clutch of two dozen new formats, including Depot, Top 10 and Star & Sitara.



Home

Home Solutions Retail (India) Limited, a subsidiary company caters to

the home building and improvement segment through formats like Home Town, Collection I, E-Zone, Electronics Bazaar and Furniture Bazaar.



Leisure & Entertainment

Sports Bar, Bowling Co., F123, Bombay Blues, Copper Chimney, The Spoon, Cream Centre, Noodle Bar, Chamosa – some of the brands are operated through partner companies.



Media

Converting high footfalls within stores into eyeballs through effective media platforms is the mandate for Future Media.



Logistics

A consumer products led logistics company catering to all group company's logistics requirements will soon offer services to companies outside the group.



Capital

At Future Capital Holdings, a global team from leading financial institutions is spearheading an asset management business and has recently launched a consumer finance business as well.



Brands

A highly competent team of professionals, at Futurebrands are

transforming the company's private labels into national brands.



Joint Ventures

Joint venture partnerships established with globally reputed companies like Staples Inc, Planet Retail and Axiom. Leading Indian companies like Liberty Shoes and Talwalkars' are joint venture partners in specialty retailing.



Insurance

A joint venture for life and non-life insurance products has been formed with Italian insurance major, the Generali Group.



Etailing

The company is operating a highly popular shopping portal, futurebazaar.com

message from the managing director



DEAR STAKEHOLDERS,

It gives me immense pleasure to present your company's Annual Report for the year 2006-07. Last year we had presented you the Idea Bazaar – a collection of ideas and initiatives that we believed had the potential to drive the next phase of growth within your company. I am happy to share with you that during this financial year, we were able to execute each of these ideas and turn them into viable business propositions.

The year 2006-07 has been a year of discovery for us – discovering new customer segments, new concepts, new geographies and above all discovering possibilities every time we entered a new business, executed a new idea and presented an innovative and superior proposition to our customers.

Today, each of these ideas and initiatives are coming together, building upon the strengths of the existing retail businesses and helping your company capture a larger pie of the Indian consumption opportunity. We believe we are at the inflection point for significant value creation in each of the multiple businesses that your company is pursuing.

INFLECTION POINT

During this year, the retail business discovered new geographies and established its presence in 42 cities and towns across the country. At the same time, some of our retail formats – Pantaloons, Central, Big Bazaar and Food Bazaar – are entering a phase of maturity. We believe that each of these formats now require a focused approach. Hence these formats were transformed into independent business units headed by a Chief Executive Officer. These concepts have now embarked into an unprecedented phase of rapid expansion.

Augmenting the retail front-end team, Line of Business (LoB) units have been created in the three most critical businesses – food, fashion and general merchandise. Even as we expand and replicate these formats, the LoB units will ensure that we continue to be sharply focused on driving efficiency and value creation through increased margins.

As we expand these concepts, we are also aware that your company needs to retain the culture of innovation and nurture new businesses. An Innovation and Incubation Group, has been formed to support new businesses and drive innovation within each of the new retail formats and segments that we have launched.

UNLOCKING VALUE

We have also discovered opportunities to create new businesses that can act as catalysts to consumption within our retail stores. These businesses are leveraging the strengths that our retail businesses provide and thereby generating more value for our investors and other stakeholders.

One of the most important initiatives in this direction was the creation of Future Capital Holdings (FCH). A subsidiary company, FCH asset management business manages funds worth over US \$1 billion that are being invested in developing retail real estate, hotels and consumer focussed companies. A global team comprising professionals from leading investment banks and financial institutions is spearheading this venture. In addition to the asset management business, the team has recently launched a consumer finance business that will provide credit products to customers visiting our stores. We believe that easy availability of credit has significant potential to boost consumption in the long run.

Futurebrands, a subsidiary company has been set up to create powerful brands that speak to the fundamental motivations of the Indian consumer. A senior team of professionals are bringing in a more focused approach in the development of our product brands portfolio and thereby creating national brands across different categories.

In order to further leverage on the increasing number of customers visiting our stores, a new subsidiary, Future Media, has been created to build and sell media properties. A team with years of experience in developing and selling media properties is spearheading this business.

The convergence of the three catalysts – consumer finance, brands and media – within the retail environment will provide a significant boost to consumption.

GLOBAL BENCHMARKING

Due to the strengths that your company has in the Indian retail market, we are happy to share that your company has emerged as the preferred partner for a number of large global companies. Your company has formed a joint venture with Italian insurance major, the Generali Group, to enter the fast - growing insurance market. Along with the world's largest office stationery retailer, Staples Inc, your company's joint venture partnerships have also been formed with Middle East-based Axiom communications to distribute and provide back-end support for retailing communication products and services.

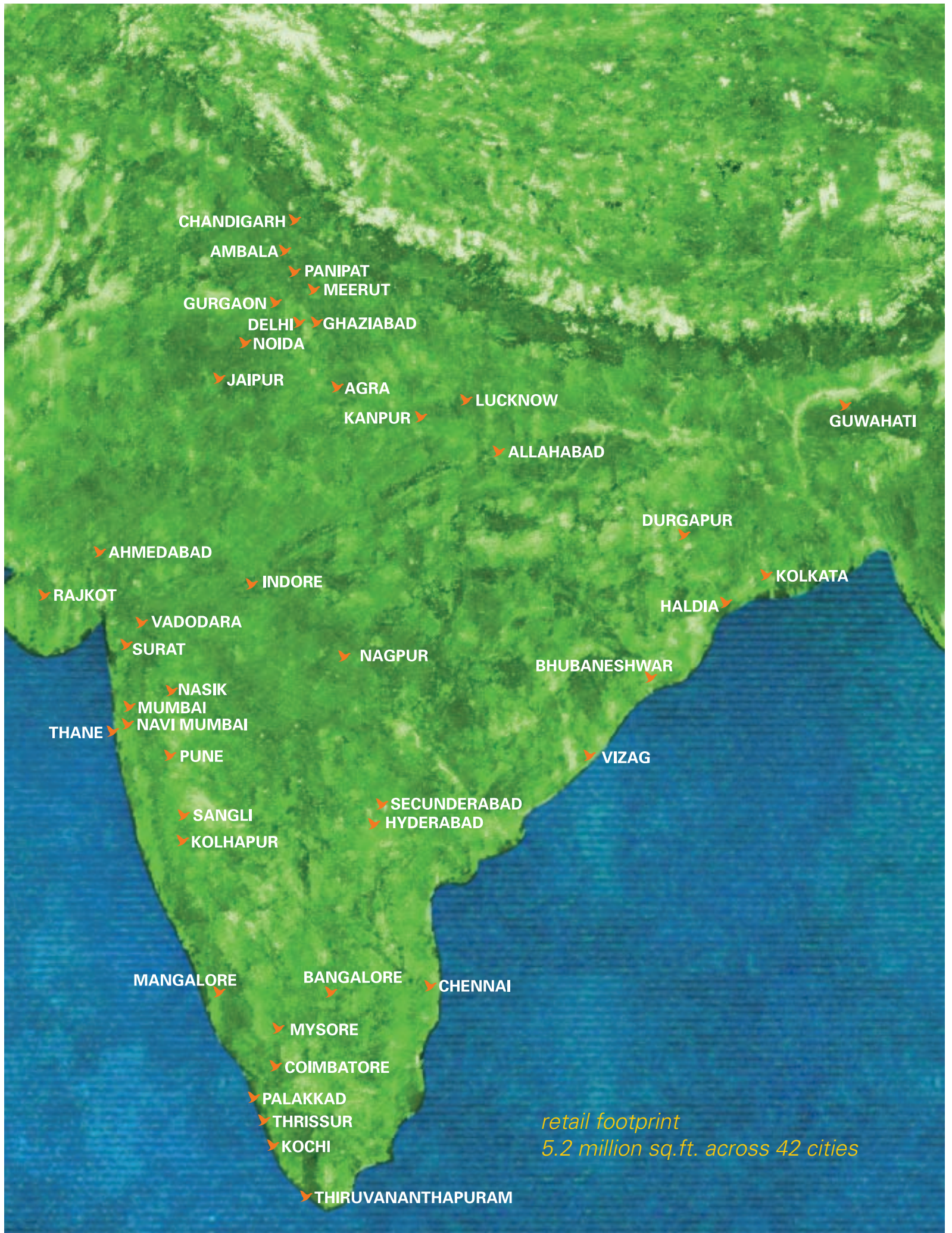
We are firmly committed to the Indian market and for the next decade we will be focused on discovering new market segments within India. However, that hasn't stopped us from globally benchmarking ourselves.

Your company has been recognized as the International Retailer of the Year 2007 by the world's largest trade body, National Retail Federation and was awarded the Emerging Market Retailer of the Year at the World Retail Congress held in Barcelona in March, 2007. Your company was also recognized as the Best of the Best Retailer in Asia by Asia Pacific Retail Top 500 and was awarded the Best Managed Mid Cap Company by AsiaMoney in 2006.

For us, the journey of discovering the Indian consumer market has just begun and we would like to thank you for your continued support and encouragement in making this such an eventful one.



Kishore Biyani



new discoveries in retail

In the financial year 2006-07, the company's retail businesses discovered new categories across formats, new sets of consumers and fresher and contemporary merchandise. We have been able to offer more in the established businesses and gain favourable acceptance with new concepts.

In addition, concerted expansion plans saw retail space increase to over 5.2 million square feet at the end of 2006-07. This expansion mode was characterized by a two-pronged approach. By dominating the cities the company was already present in and by bringing the benefits of modern retail to towns and cities like Mangalore, Palakkad, Surat, Indore, Kanpur, Haldia, Agra, Coimbatore, Jaipur and Panipat.

The company has also undertaken significant private label initiatives in food, in general merchandise and in the consumer durables and electronics categories. Strategic alliances have also been forged with established domestic and international brands.

However, the most significant development was the internal realignment the company undertook within each of its retail businesses. To embark on a more detailed approach towards value creation and increasing efficiency, the company reviewed its

business operations and adopted a more focused approach by creating an integrated support unit or Line of Business.

Augmenting the retail front-end team, Line of Business (LoB) units have been created in the three most critical businesses – food, fashion and general merchandise. Formed during the second half of 2006-07, these business units focus on introducing optimum operational efficiencies. Thus, these units ensure that back - end measures are appropriately taken care of and the right kind of merchandise reaches the stores in the best possible time, at the right price. These teams focus on product consolidation and suitability, margin improvement, and vendor rationalization, thereby ensuring that the sourcing benefits are made available to the front - end team.

The company's efforts over the next couple of years would entail a combination of expansion and process upgradation and implementation. The emphasis will be on the next discoveries to be made in the retail space that will lead to expansion. At the same time, there will be an increased focus on micro detailing aspects including process, product and operational efficiencies thereby contributing positively to the company's bottomline.

pantaloons

discovering fresh fashion

It was the first Pantaloons store in Kolkata that set off a chain of discoveries that have led us to where we are today. Ten years later, we have launched our largest Pantaloons store in Kankurgachi in Kolkata. Spread across 85,000 square feet, the store is the first among a series of large format stores that will be launched across the nation.

After consolidating its Fresh Fashion positioning, Pantaloons embarked on a major expansion during the year 2006-07. In 8 cities, 11 Pantaloons stores were opened with 7 of them opening in the single month of March 2007. The total count of Pantaloons stores as on 30th June 2007 stood at 31 with the total area under retail close to 1 million square feet.

In order to maintain the top of the mind association with fashion in India, Pantaloons continued to be the title sponsor for the Femina Miss India 2007 pageant. In addition, Bipasha Basu and Zayed Khan were roped in as brand ambassadors in the month of August 2006. The success of this initiative was evident in the increased sales for the 'Haldi Gulal' range as well as the 'Svayam Utsav' summer collection that were endorsed by Bipasha and Zayed.

The private label apparel share during the year was in excess of 70 percent. The year also witnessed categories like Winter-wear and Ethnic Ladies-wear strengthening their presence in the stores. The increasing success of the store brand is evident from the fact that the store's loyalty programme, Green Card, added 200,000 new members.

Pantaloons will see a significant expansion during the coming year with an increase of nearly 0.50 million square feet of retail space and an addition of about 15 stores. Pantaloons will look at dominating cities where it has a first entrant advantage and will scale up sizeably with larger stores, additional categories and retail formats.

The year 2007-08 will witness considerable focus in the North and East regions. Delhi and the NCR area along with Punjab, Chandigarh and Ludhiana will see the next stage of expansion. Cities like Ranchi, Guwahati and Siliguri in the East will also discover Fresh Fashion.

pantaloons
FRESH FASHION

all Blue Sky



central

discovering celebrations in the heart of the city

Central was built keeping in mind the proposition of offering the consumer the benefits of shopping, eating and celebrating, right in the heart of the city. Central is the best example of pooled insights and processes leading to new discoveries. The year 2006-07 witnessed relationships between the retail team and brand owners being taken to the next level. Close association between the two teams resulted in innovative ideas, processes and operational activities.

A noticeable initiative was the formation of key brand relationship teams for the top ten performing brands in terms of revenue and profits. This resulted in maximized returns for both the store as well as the brand owners.

As on June 2007, there were 4 Centrals operational in Bangalore, Hyderabad, Pune and Vadodara spread over nearly 0.60 million sq.ft. The fourth Central mall spread over nearly 150,000 square feet was launched in Vadodara in January 2007.

Central also initiated the creation of a seamless technology integration experience between the merchandise management and brands retail team, as a pilot study. The initial results have been very favorable and the project implementation will be underway shortly.

The important aspect of Inventory Management is also being addressed more effectively with the pilot implementation of RFID (Radio Frequency Identification Device) across some categories in all Central stores. This technology enhancement is expected to have a positive impact on inventory handling and reconciliation and will gradually include most merchandise categories.

In FY 2008 Central would expand its footprint to new cities with the opening of 3 more malls. The existing stores will be upgraded through addition of new product categories. Efforts will also be made to forge strategic alliances with other established international brands.

With the Central format, we have more opportunities to discover the potential of mutually beneficial relationships between Pantaloon Retail and other brands that can result in an even better consumer experience.



brand factory

discovering value, experiencing the brand



One of the most important insights we have discovered in the past ten years has been that across categories, including fashion, consumers seek value. It was this, alongside the success and acceptance of Central, that led to a new idea – Brand Factory.

Brand Factory is an exclusive chain of all-year-discount stores offering the very best of national and international fashion brands. Launched in the second quarter of FY 2007, Brand Factory clocked footfalls in excess of 2 million and nearly 30 per cent of customers at each store, were repeat customers.

The intent, with Brand Factory, was to offer the customer the true brand experience at discounted prices. It was the price that got slashed, not the experience.

Primarily focused on retailing apparel, accessories and footwear at discounted prices, these stores (each in excess of 60,000 square feet) showcase some of the best known brands including Diesel, Esprit, Levi's,



Wrangler, Pepe, Lee, Louis Philippe, Arrow, Bossini and Van Heusen. Some new categories introduced during the year under review include music, electronics and luggage.

As on 30th June 2007, there were 5 Brand Factory stores operational, spread over nearly 335,000 square feet in Hyderabad, Bangalore, Pune and Ahmedabad. During FY 2008, nearly 5 Brand Factory outlets will be launched in addition to the existing stores.

big bazaar

discovering more value



In 2006-2007, more Indians discovered the value of shopping in Big Bazaar. And with the launch of each store, we discovered more value in terms of operational efficiency.

Big Bazaar launched 27 new stores in 22 cities, covering over 1.40 million square feet. As of June 2007, there were 56 Big Bazaar stores across 43 cities. While Big Bazaar continued to expand in the large cities, it also tapped consumption potential in smaller cities like Agra, Allahabad, Coimbatore, Surat, Panipat, Palakkad, Kanpur and Kolhapur.

The year under review also witnessed realigning of business teams with shared experience in category management, sourcing, front-end operations and business planning. In addition, separate teams have been formed to look into all aspects of new store launches and to manage mature stores. This provides more flexibility and focus in expansion plans.

The increase in SKUs in existing categories and the introduction of new categories encouraged

the opening of larger stores or Super Centres, measuring 100,000 square feet or more. There are now 5 Big Bazaar Super Centres.

Considering this scale of expansion, technology plays a significant facilitating role. The introduction of SAP in 2005-06 and its roll out during the year, positively impacted the business. Big Bazaar has initiated the process of Auto Replenishment Systems, thus improving operational efficiencies and productivity. The company has also rationalized nearly 250 vendors through better vendor management in terms of potential to expand, and for inclusion and upgradation to the online B2B platform.

The company plans to open over 60 stores across India in FY 2008, and the opening of the 100th Big Bazaar store will mark the fastest ever expansion by a hypermarket format.

BIG BAZAAR

Is se *sasta* aur *accha* kahin nahi!

food bazaar

discovering the new consumer

Based on the company's in-house consumer data and research, and in cognizance with observations on customer movements and the shopping convenience factor, Food Bazaar has initiated certain refurbishments and layout design across all stores. The intention is to continuously change with the times and demands of the evolving Indian consumer.

Food Bazaar also witnessed healthy expansion during the year 2006-07, making its presence felt in nearly 26 cities and adding 40 stores during the year under review. The total count of Food Bazaars as on 30th June 2007 stood at 86 stores.

The year under review witnessed the company's private label programme gaining significant traction. The brands have been very competitive vis-à-vis the established brands in quality and price terms, and have in fact scored better than national or international players in certain categories.

The share of private labels as a percentage of total Food Bazaar revenues has increased significantly and comprise nearly 50 merchandise categories.

While Fresh & Pure brand entered categories like cheese slices, frozen peas, honey,

packaged drinking water and packaged tea, the Tasty Treat brand received a very favorable response in new categories like namkeens and wafers. In the home care category, Caremate launched aluminum foil and baby diapers while Cleanmate launched detergent bars and scrubbers.

A new format 'BB Wholesale Club' was launched and 4 such stores have been opened so far. To be managed by Food Bazaar from the ensuing financial year, this format sells only multi-packs and bulk packs of a select range of fast moving categories and caters to price sensitive customers and smaller retailers.

The company has also forged tie-ups with established companies like ITC, Adanis, DCM Group, USAID and other farm groups in Maharashtra and Madhya Pradesh to source directly from them. These alliances are expected to drive efficiencies as well as bring better products to consumers.

By the end of FY 07-08, the total number of Food Bazaar stores is expected to be 200.

FOOD BAZAAR
WHOLESALE PRICES



future ideas

discovering new opportunities



Future Ideas is the Innovation, Design & Incubation cell within Pantaloon Retail that stems from the core proposition - 'Protecting and preserving the soul of a small business or enterprise within a large organisation.'

Future Ideas deals with the whole aspect of idea creation, scenario planning activities, alternate approaches to an issue, providing varied outcomes and solutions to a problem and handholding the activity till its success parameters are satisfied.

A unique initiative in corporate India, Future Ideas rests on a tripod that can be classified as Innovation driven, Design Management approach and an Incubation chamber, each with its own uniqueness, yet with common objectives.

The Design Management team looks at each observation made by the Innovation team, and brainstorms by using a collaborative and holistic approach. The resultant ideas are then nurtured within the Incubation cell.

The Incubation team comprises of business teams, mentored by the Innovation and Design teams. They are people who are released from their original businesses or concepts and made part of the entire ideation process at Future Ideas. They remain at Future Ideas till project completion stage when the success parameters for running the business are met.

Future Ideas draws inspiration for most of its activities and projects, keeping in mind the new genre of aspirational Indians. At any point of time Future Ideas would work on about 20 varied projects within the Future Group.

Some of the formats that are now being incubated by this team include Top10, Depot, Star & Sitara and Talwalkars' Fit & Active. The team is also working on ideas around small format no-frills stores, rural retailing, fashion for the masses and on projects involving women and self-help groups.

futureideas

future ideas

discovering new segments

Depot, in many cities, is the first modern retailer in books and music and the response has been overwhelming. The core differentiators of Depot are its young, colourful and vibrant stores, strong regional range, affordability and a private label publishing program - Depot Exclusives.

In its first year of operation, Depot has launched 6 stand-alone stores and 50 cut-ins. Along with its expansion in major cities, Depot debuted in smaller towns like Rajkot, Vadodara, Haldia, Thrissur, Palakkad and Tiruvanantharam.

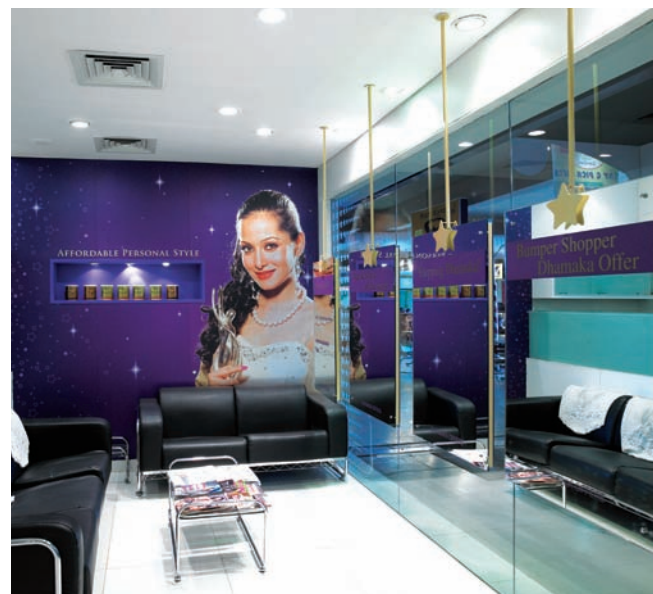
The Depot Exclusives (released solely in Depot) catalogue expanded rapidly with over 100 titles across genres like children's books, cookery, regional literature etc. Reputed authors/imprints like Nita Mehta and Sanjeev Kapoor in cookery, Disney in children's books etc., have been associated with the company. Depot has also tied-up with the UK based publisher of children's books, Small World, to co-publish a series of toddlers' interactive books.

In FY 2007-08, the total Depot footprint should cross over 100 stores.

The Health, Beauty & Wellness business opened 35 new outlets in the beauty products, services and holistic health care formats. Multiple formats operate in this segment, including Tulsi, the pharmacy chain and Star & Sitara, the beauty products cut-ins and Star & Sitara Salons. The largest format, Beauty Free offers unique combination of products, services and holistic health offerings.

To capture the increasing consumption spend on wellness and preventive health care, the joint venture between Pantaloon Retail (I) Limited and Talwalkar Better Value Fitness opened its first 'Talwalkars Fit & Active' health centre at Orchid City Centre, Mumbai in April 2007. Spread over 5,200 square feet, it is the country's first health centre to offer health, fitness and gym services within a modern retail and consumption environment.

The venture is also looking at innovative value added offerings in the fitness space as well as developing a Spa model for the Fit & Active brand across the country, by increasing its presence to nearly 50 such centers in the near future.



futurebazaar.com

discovering the virtual world and beyond

futurebazaar.com is discovering not just new consumers among the netizens but also those not yet connected by the internet. For the company's online venture, close to 60% of futurebazaar's revenues were generated from the top 6 cities. The remaining 40% of the portal's topline was met by nearly 300 unique cities and towns like Guwahati, Asansol, Rajahmundry, Bhatinda and Ludhiana.

According to the industry estimates, the Indian online shopping business is likely to grow by 150% to touch Rs 5,500 crore in 2007-08 from Rs 2,300 crore in 2006-07. futurebazaar.com has been designed to capture the lion's share of this fast growing market by combining the expertise and wherewithal of its existing retail businesses with a strong technology backbone for the online platform.

The power of this combination was evident when futurebazaar.com participated in the 'Sabse Saste 3 Din' phenomenon between 26th and 28th January '07 and offered the same deals available at Big Bazaar to online customers. Combining the online portal with catalogue retailing through kiosks located in malls and shopping centers, the format attracted a new set of customers yet untouched by internet access.

In terms of value of purchase made on the portal, the average ticket size for items purchased during the year under review was higher by over 50 percent as compared to that of most established online e-commerce portals, indicating purchase of high value items in primarily the electronics and consumer durables categories. Some product categories which were well received by the consumer were mobiles, USB & pen drives, laptops, watches and cameras.

With internet penetration levels increasing at a steady pace, futurebazaar.com is preparing to be present at each 'click' of the consumers' fingers. This implies increasing its reach through an online as well as an offline approach, to a larger target audience in both major cities and remote areas of the country.

futurebazaar.com will look to further consolidate its position as a true online shopping portal guaranteeing the best prices and deals, better product width and depth, usage of the latest technology based applications, informative and on-time delivery guarantees.

futurebazaar.com
lowest prices - everyday!

The screenshot displays the futurebazaar.com website. At the top, there's a navigation bar with the site logo, a search bar, and links for 'All the Categories', 'Go', and 'Advanced Search'. Below this is a customer care number and a 'Partnership by BIG BAZAAR' logo. The main content area features a 'Categories' sidebar on the left with options like 'Apparel', 'Books', 'Cameras', etc. The central banner area promotes '99 Online! Free Shipping' and lists various products such as 'Antiquity Shahi Handi', '512 MB Pen Drive', and 'Snap and Lock Containers'. Below the banner, there's a '★ Irresistible Offers' section with 'Limited Stocks' for items like 'Aiptek PocketDV Video Camera', 'Koryo Steam Iron', and 'Branded Frypan'. On the right, a vertical banner advertises 'Get a Pendrive FREE with these Mobiles'. The footer includes a 'Futurebazaar Update' button.

leisure & entertainment

discovering India's life after work



The company's presence in the fast growing leisure and entertainment space is established through its affiliate company, Galaxy Entertainment and its equal joint venture company with Mumbai-based Blue Foods and Pan India Food Solutions Private Limited.

The company's recently launched kids gaming and entertainment zone, F123, opened 9 new centers in the cities of Bangalore, Hyderabad, Mumbai, Ahmedabad, Nagpur, Delhi, and Agra. The total count of F123 centers as on 30th June 2007 stood at 11. In the Sports Bar concept; the Mumbai unit at Colaba was given a facelift and revamped to Sports Bar Express model. More such models were carved out from existing operating areas and Sports Bar Express is now operational in Mumbai, Indore and Bangalore. Both the above initiatives have witnessed healthy addition to the company's

topline as well as a steady loyalty factor amongst its regular patrons.

Blue Foods and Pan Foods have together managed to increase their presence in over 100 locations spread over 15 brands across India and serving more than 1 million customers daily. In addition to its established strong brands like Copper Chimney, Cream Centre, Bombay Blue, Noodle Bar, Spaghetti Kitchen and The Spoon, many new service offerings such as Food Courts, Fine Dine Specialty Restaurants, Thali Restaurants, Banquets and Multiple Kiosks formats were set up. The company's expansion plans are quite robust and the next 12-18 months will see many more restaurants and food courts coming up across the country, adding to nearly 150,000 square feet of operational space.



CHAMOSA



specialty retailing

discovering new retail formats



Planet Retail is a joint venture company operated by Pantaloon Retail (India) Limited. The company operates a chain of stores in the sports, leisure and lifestyle segment of the market.

The flagship format of the company, Planet Sports, is targeted at the sports lifestyle segment. Planet Sports has a total of 46 stores occupying a retail space of approximately 100,000 square feet. The company's other formats in this segment include Sports Warehouse, and mono brand format of Adidas and The Athlete's Foot.

The company also operates stores under franchisee agreement with Marks & Spencer, Debenhams, Guess and Next. The sports lifestyle segment of the company plans to add 19 more stores during FY 08.



Footmart Retail (India) Ltd is the joint venture between Pantaloon Retail (India) Limited and the leading footwear manufacturer, Liberty Shoes. The flagship format of this company, Shoe Factory, is positioned at the value segment of the market. The first Shoe Factory outlet was launched in May 2006 in Ahmedabad.

In a short span, the joint venture has launched 21 Shoe Factory outlets covering 120,000 square feet of retail space in Ahmedabad, Hyderabad, Panipat, Jaipur, Agra, Ghaziabad, Lucknow, Bangalore, Mumbai, Vadodara, Raipur, Surat and Kolkata. This includes 3 cut-in stores located within Pantaloons outlets.

The company has also launched a new format, Pairs, which is targeted at the lifestyle segment. The company plans to have 46 Shoe Factory and 6 Pairs outlets by the end of FY 08.



home solutions

discovering ideas for India's homes

Home Solutions Retail (India) Limited, a subsidiary company, has been designed to cater to the Rs 80,000 crore home building and improvement market in India. With the entire market being largely unorganised, there exists an attractive and expanding opportunity to provide a complete solution to all products and services that go into home building and improvement. The formats are designed as one-stop destinations that offer a complete range in consumer electronics, furniture and other home products.

Consumer Durables & Electronics

The company's electronic and consumer durables offerings is led by E-Zone in the lifestyle experience environment and the value segment is represented by Electronics Bazaar. In its first full year of operation, 80 stores were opened in 10 cities.

The year under review witnessed the opening of 10 new E-Zone stores, taking the total number of stores to 12. The coming year will see the launch of around 20 new E-Zone stores across the country.

The total number of Electronics Bazaars as on June, 2007 stood at 59 stores comprising 4 independent outlets and 55 cut-ins.

Furniture

In the furniture, furnishings and home accents segment, the company operates through its Collection I and Furniture Bazaar formats. Collection I, typically about 10,000 square feet in size, is positioned as a complete 'lifestyle' solutions offering for the homemaker. The year under review witnessed the opening of 8 stores during 2006-07, taking the total count to 9 stores. The company has plans to open about 7 additional Collection I stores in the coming financial year.

Located within most Big Bazaar stores and as stand-alone outlets, Furniture Bazaar retails aesthetically pleasing and utilitarian furniture. During 2006-07, 21 new Furniture Bazaar cut-ins and 5 independent outlets were opened.

In terms of sourcing, the focus was on identifying and developing preferred vendor relationships in countries like Vietnam, China, Indonesia, Malaysia, Thailand and Denmark.

collection I
IDEAS FOR GOOD LIVING

Furniture Bazaar
Ghar mein hit. Budget mein fit.

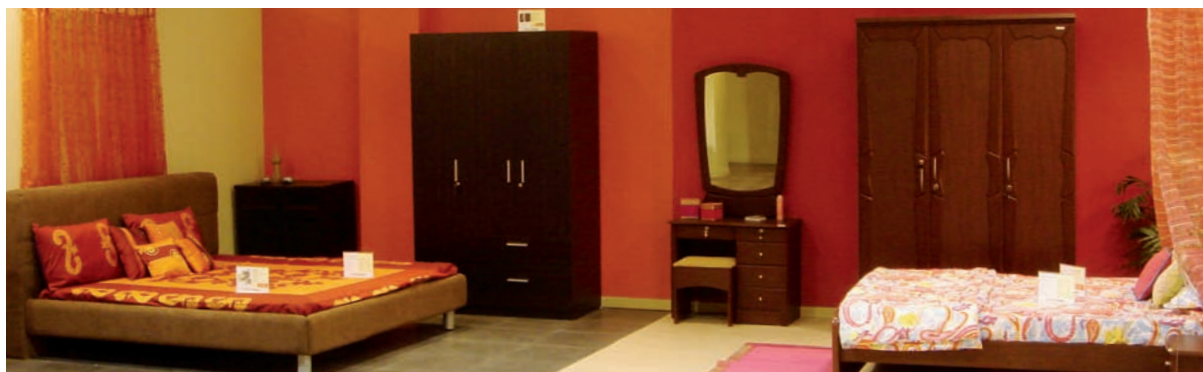
ezone
EXPERIENCE ELECTRONICS

Electronics Bazaar
Best electronics. Best bargains.



home town

discovering the joy of one's own home



The company launched its first Home Town measuring 125,000 square feet in April 2007, at Great India Place, Noida. The second such store opened in June 2007 at Acropolis Mall, Ahmedabad. The total retail area stands at about 255,000 square feet.

Not only were the first two Home Towns well received by customers and trade, but the B2B or institutional side of the business has received several enquiries and a separate business unit focusing on institutional trade has been formed. As an example of such an initiative, a few of the country's leading real estate companies placed orders worth Rs.220 crore for 8,000 flats, with Home Town.

Seven new Home Town stores are scheduled to launch by FY 08 in Thane, Pune, Lucknow, Bangalore, Hyderabad, Gurgaon and Kolkata. The company is upbeat about the business model and will continue to expand its offerings and aims to emerge as a growth driver for the home category.

Private labels

The company's private labels in the consumer durables space, Koryo and Sensei mustered a revenue share of 20 per cent. New private labels were introduced in LCDs, Digital Video

Camera, Digital Camera, MP3 players, CTVs and Rice Cookers. To support the private label programme nearly 30 after-sales service networks and call centers are operational.

Joint ventures

Home Solutions Retail (I) Limited has also entered into two equal joint ventures with India's market leader in the retail industry lighting segment and the fastest growing lighting solutions provider for the retail consumer, Asian Electronics. Asian Electronics, with a market share of over 60% in the segment brings to the table its vast technical and manufacturing expertise.

Asian Retail Lighting Limited, provides efficient and energy conserving lighting solutions to the retail sector. Apart from Pantaloon Retail, some of the customers serviced by the venture include Spencer's Retail, Infinity Retail, Home Care Retail, Provogue, Welspun, Metro Cash & Carry and Food World.

Home Lighting India Limited provides lighting solutions for the retail consumers' home needs. Banking on a strong distribution model, the front-end includes retailing of all lighting products at the company's formats, specialized lighting stores, electrical distributors and major sanitary and hardware distributors.

international jv's

discovering the power of partnership

Specialty retailing forms a large part of the retailing industry globally. In India too, significant opportunities are emerging in various segments of specialty retailing. In order to capture these opportunities the company has entered into joint venture partnerships with large global companies that have expertise in setting up such businesses in developed as well as emerging markets.

The company believes that these partnerships will bring in segment-specific expertise and experience and has the potential to unlock significant value for all stakeholders.

The month of January 2007 marked the creation of a joint venture between Pantaloon Retail (India) Limited's office products business unit, Future Office and the US\$ 18 billion office products company, Staples Inc.

Staples Inc. is the world's largest supplier of office stationery products. The new company, Staples Future Office Products Private Limited, aims to replicate Staples' global success in India through a franchisee network.

The agreement establishes a platform for Staples Inc. to enter the Indian US\$ 10 billion office products market and simultaneously benefits Pantaloon Retail from the industry expertise and sourcing network of the world's largest office products company.

The aim therefore, is to become the office products provider of choice for businesses throughout India .

Staples Inc., through its multi-distribution models and presence in nearly 23 countries worldwide, is one of the largest retailers in the USA.

It follows a three pronged approach, namely of contract delivery with some of the biggest corporates across the globe, an online business by virtue of being the second largest e-portal in the form of www.staples.com and its offline presence through more than 1900 retail stores.

The Indian operations currently will be two fold, contract delivery to corporates and retail through franchisee stores and store-in-stores within Future Group retail formats. The venture will deal in a wide variety of categories and office products, ranging from core office supplies to printers to computers.

Future Office, which recently acquired B2B online office products company Officedge, will look to expand its delivery operations to other cities such as Delhi, Mumbai, Hyderabad, Chennai, Kolkata, Pune, Ahmedabad, Indore and Chandigarh in the near future.

let's work smart®



everything in technology and stationery

international jv's

discovering opportunities in the new economy

According to the Telecom Regulatory Authority of India, nearly 15.5 million mobile subscribers were added in the first quarter of 2007 itself, taking the mobile subscriber base to 165 million. Some estimates say that about 58 per cent of the rural population and 95 per cent of the urban population in the country will be covered by mobile networks by 2011. By then, the total number of mobile connections will have reached in excess of 460 million, accounting for close to 40 per cent of India's population.

India will emerge as the second-largest market in the world after China for mobile handsets in terms of unit shipments with nearly 11 per cent of the global mobile device unit shipments, made to India by 2011.

ConvergeM, the communication division of Pantaloon Retail (India) Limited was set up to focus on and leverage the fast expanding telecommunication market in India.

Considering the enormous potential in the mobility business, the company brought in a joint venture partner, Dubai-based Axiom Telecom for distribution and back-end support to the existing retail business. Axiom Telecom is the largest and leading authorized distributor for international mobile brands and specializes in wireless communication products.

It operates more than 200 outlets in prime retail locations across the UAE, Saudi Arabia, Bahrain, Oman and Kuwait.

With handsets, airtimes and accessories becoming ubiquitous and forming an integral part of people's lives across the country, every strata of society is influenced by the mobility wave. There are no large mobile specialty retail chains in the country and customers are dependent on single brand entities or grey markets for procuring mobiles and related accessories.

ConvergeM intends to translate this market opportunity into a viable commercial model. The retail points are designed to be distinct in character, exuding warmth coupled with exciting deals. These counters provide customers with easy access to airtime recharges, VAS, recharge coupons, regularly used accessories, other telecom hardware and software along with a wide range of mobile devices.

The company has opened 55 stores during the last year which included 53 cut-ins within Big Bazaar and Pantaloons, and 2 standalone stores. With this the total store count for the joint venture company touched 92 as on June 2007.

The year 2007-08 will witness expansions through standalone stores being opened, along with a state-of-the-art repair and after sales service model focusing on this largely unorganized market. The business is also considering focusing on the fast growing telecommunications services market.

converge **m**

mport
Experience the real best

genm
The Mobile Style Spot

mbazaar
Latest technology. Best brands. Lowest prices.



future capital holdings

discovering capital as a catalyst

Consumption and capital are two sides of the same coin. While consumption drives economic growth and prosperity, capital plays a crucial role in wealth creation. This was the premise behind the creation of Future Capital Holdings (FCH) when it was co-promoted by Sameer Sain and PRIL over a year ago.

Today FCH is one of the fastest growing financial services companies in India with asset advisory, retail financial services and proprietary research as its main lines of business. Knowledge is the bedrock of the entire company. The research by FCH, provides fundamental research that assists the process of value creation for all Pantaloon Retail businesses and investments.

Asset advisory

The Indian economy is on a substantial growth path with significant investment opportunities within consumption and consumption-related sectors. FCH's advisory business already has a presence across the real estate, private equity and hotels related sectors and advises over US \$1 billion of assets.

It seeks to offer superior returns to investors by drawing on its considerable in-house investment advisory expertise while also leveraging Future Group's retail reach and domain knowledge of the consumption space in India.

With this objective, dedicated business intelligence, transactions and operations teams have been created in the Private Equity, Real Estate and Hotel space to advise on adding real value to investments.

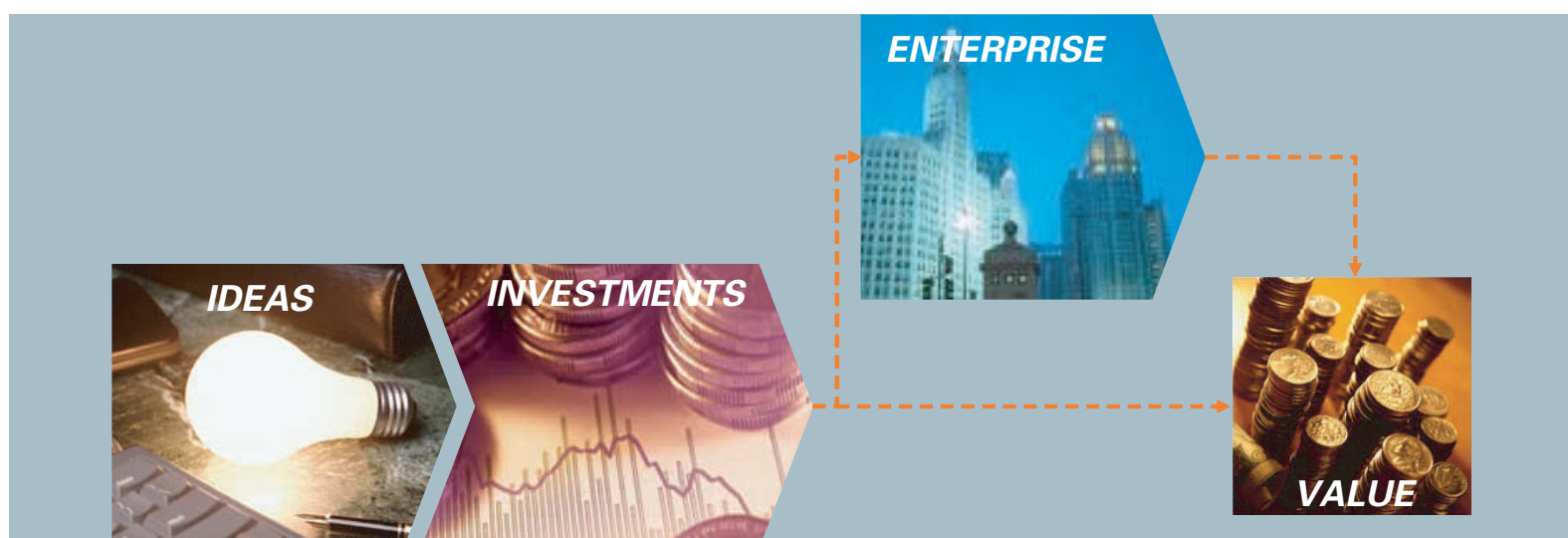
Private equity

FCH's subsidiary, Indivision India Advisors (IIA) is the Indian sub-advisor to Mauritius-based Indivision India Partners (IIP) - a US \$425 million, Mauritius based fund.

Advisory Services include backing strong entrepreneurial talent and high growth companies broadly benefiting from the consumption space in sectors such as FMCG, media, entertainment, food and beverage, fashion and healthcare. Atul Kapur, a former MD from Goldman Sachs with 12 years of private equity experience, leads the investment advisory activities.

The strategic advisory relationship with IIA and the Future Group adds value to the portfolio companies which benefit by gaining access to a national distribution network and strong insights within the consumption space.

Transform
IDEAS into VALUE
for our stakeholders
through INVESTMENTS
and ENTERPRISE



future capital holdings

discovering and developing a new India

Real estate

Quality real estate is at the heart of the retail trade. Kshitij Investment Advisory (KIACL), an investment advisor with expertise across the real estate value chain including real estate development capabilities was set up to advise on, identify and develop world-class retail destinations across the country. Shishir Bajjal who has over 26 years of senior management experience spanning diversified industries such as hotels and entertainment heads KIACL.

KIACL today is the investment manager of the Rs. 350 crore Kshitij Venture Capital Fund that focuses on setting up malls of up to 500,000 square feet in Tier-2 cities across India. These malls will be operational under the Kshitij Retail Destinations umbrella.

KIACL is also the Indian sub-advisor to the US \$350 million Mauritius-based Horizon Fund. Services include advising on creating mixed-use developments called 'Market Cities' in excess of 500,000 square feet, catering to all shopping, leisure, entertainment and recreational needs of consumers. They will also include convention centers, hotels, service apartments, commercial offices, residential apartments, community centers and public spaces.

Hotels

There is a high growth opportunity in the business hotel segment due to the lack of supply of rooms in this space and the increasing number of Indian business travellers. To capitalize on this opportunity, FCH's hotel division will serve as the sub-advisor to Indus Hotel Ventures, a Mauritius-based fund which when closed should have a total capital of US \$200-\$300 million. The FCH hotel division will advise on the development of primarily 3 and 4-star design-led business hotels across India, leveraging upon the upcoming retail-led real estate developments advised by KIACL.

The hotels division is headed by K K Malhotra, a former president of ITC Hotels and the lead investment advisor will be Rahul Nair who was the former VP for M&A at Indian Hotels.



future money

discovering and creating a financial supermarket

Long term sustainable growth for Future Capital Holdings will also come from Future Money, an exciting new format in retail financial services that FCH is currently rolling out. A business division of FCH, Future Money aims to set a new standard in the organized retailing of financial services by creating a differentiated retail brand that will make retail finance 'Simple, Easy and Convenient'. These 'financial supermarkets' will provide a range of innovative financial products and services. It is well established that availability of easy and convenient options within stores leads to significant rise in ticket sizes.

A total of 65 Future Money outlets are already operational across the country in the first four months of operation. It is expected that 400 retail outlets spread across India will be established over the next 4 years as Future Money moves towards its goal of becoming the consumer's wallet.

Headed by CEO Rakesh Makkar; an industry veteran who has worked with companies like Citigroup and Temasek, Future Money has the exclusive right of use and access to all Pantaloon Retail properties i.e.: Big Bazaar, Pantaloons, Central, Home Town, etc. for the sale of financial products and services.

This gives Future Money a unique advantage with a presence at the point of consumption across retail outlets in more than 40 cities across India and significant exposure to nearly 150 million footfalls. Future Money opened its first outlet in Noida near Delhi in April this year.

Future Money proposes to leverage its reach and captive customer base to offer a one-stop solution for financial products and services. Key product and service lines include consumer durables loans, personal loans, home equity loans, credit cards, life and non-life insurance, mutual funds, foreign exchange and money transfer.

Future Money will soon launch an innovative credit plus loyalty card that customers will be able to avail across all Pantaloon Retail formats.

future money
Your Financial Supermarket

**Ab loan
milna kitna
aasaan!**



future generali

discovering insurance

Despite its teeming one billion plus population, India still has among the lowest insurance penetrations in the world. Even though India boasts a saving rate of around 25 per cent, under 5 per cent is spent on insurance. Considering that the company's retail formats reach out to over 150 million customers, the company felt that it had opportunity to offer insurance services to customers within and outside the retail environment. In this competitive scenario, the company believes a key difference will be the customer experience that each insurance player can offer in terms of quality of advice on product choice, along with policy servicing and settlement of claims.

In order to leverage this opportunity, the company has entered into a joint-venture partnership with Italian insurance major, Generali Group. Established in 1831, Generali is among the three largest insurance companies in Europe and is ranked 30th on the Fortune 500 list. It has more than 3,50,000 shareholders, 70,000 employees and is present in 40 countries across the globe. The group is characterized by a strong international drive, implementing a decentralized multi-brand and multi-local approach. In recent years, the Group has made a significant return to central-eastern European markets and has set up offices in the

principal markets of the Far East, China being one of them.

The joint venture company between Pantaloon Retail and Generali Group, Future Generali, wants to be a differentiator in life and general insurance space by creating a new platform for insurance business by leveraging local partner's proximity to the Indian consumer and combining this with product innovation and differentiation – the core expertise behind Generali Group's global expansion.

The company is looking at a robust pan-India footprint of 100+ locations in 5 years which will include Tier-2 & 3 cities also. Regional offices are being set up in New Delhi, Mumbai, Ahmedabad, Hyderabad and Kolkata respectively. In addition, a network of branches will be established by the end of FY 08. The company is targeting a total of 39 branch and agency offices to be set up in various parts of the country by the end of 2008 and would like to take the number to 100 by 2010. Subsequent expansion of the branch network will be reviewed from time to time before branches are opened.



FUTURE GENERALI INDIA

From Italy to the world
The insurer without frontiers



future logistics

discovering the convergence of supply chain

Future Logistics Solutions Limited (FLSL), a wholly owned subsidiary, has been formed to offer a more strategic, focused and consolidated approach to meet the group's large captive SCM requirements. On the backing of the group's subsidiaries, associations, alliances and key vendors, FLSL will also extend its services bouquet to them in the near future.

Future Logistics begins with an inherent competitive advantage of being the only Indian company which has developed expertise in major consumer and consumption related categories. Another important differentiator is in the nature of transactions involved. While most loads are dealt in terms of container loads or metric tonnes, FLSL operates on a per unit approach, making the value chain even more dynamic and interesting.

The Future Logistics team currently oversees the operations of an existing fleet of over 200 dedicated trucks, contracted from established regional and national transport carriers.

The year under review witnessed GPS being piloted for outbound deliveries and would be rolled out nationally in the near future. The company is looking to increase the number of dedicated fleet to about 600 by FY 2008.

In terms of warehouse space, nearly 2 million square feet was operational as on 30th June 2007 consisting of 1 Master Distribution Centre and other Regional DCs.

With the Future Group's expansion plans and growth momentum, over the next few years, it is imperative to fuel its front-end exposure though a well machined back-end support system.

Future Logistics intends to build about 4 Mega Merchandising Hubs (MMH) of about 250,000 square feet each, located in each of the four zones over the next one year. Further, about 23 larger warehouses would be commissioned over the next couple of years, spread across nearly 20 locations pan-India. The total consolidated warehouse space that the company intends to have operational by the end of FY 08 is about 2.50 million square feet increasing to nearly 7.50 million square feet by 2010-11.

future logistics



future media

discovering media in the ambience of consumption

Incorporated during the year 2006-07 as a subsidiary of Pantaloon Retail (India) Limited, Future Media India Limited has based its business on the tenet of being able to address the captive consuming class, while in the consumption frame of mind.

Future Media, aims to create media properties in the ambience of consumption, wherein the consumer seeks information via media, rather than the other way around. This ambience is what aids consumer-brand engagement, converting footfalls into eyeballs, creating trends and thereby, the desire to change.

Company offers relevant engagement through its media properties like Visual Spaces, Print, Radio, Television and Activation.

Visual spaces basically include offering brands an opportunity to showcase their identities inside the shopping environment, such as shopping trolleys, carry-bags, elevator doors, standees, dangles, trial rooms, counters, in-store signage, product displays and facades.

FMCG brands, industrial application companies and leading auto companies are already heavy advertisers on the Future Media network.

The company has created media trends with innovative campaigns in visual spaces and

activation and continually seeks to drive active engagement. Amongst print properties, Future Media offers My World, a monthly magazine to select customers of Big Bazaar.

Future Media has also launched Future TV, the television network across India's largest retailscape. It is the first retailer-owned channel in India, and aims at converting footfalls into eyeballs by engaging the consumer while in the mode of consumption. Presently aired in Mumbai, Delhi and Bangalore across Future Group stores, Future TV aims to provide a completely unique audio-visual experience within an in-store environment.

At present there are over 400 screens commissioned across Home Town, Kshitiji Retail Destinations and Big Bazaar stores, with plans to install nearly 1,000 such screens in the next few months, across 8 cities.

future
media



future brands

discovering consumer aspirations

Futurebrands, a subsidiary company, has been set up to create and build powerful brands that speak to the fundamental motivations of the Indian consumer. Its mandate is to build valuable brands based on a deep understanding of what the Indian consumer needs today and tomorrow. It will leverage the distribution, reach and consumer connection forged by the existing retail formats of Pantaloon Retail as well as enlarge its distribution footprint by reaching consumers across the country. In addition, it will provide cutting edge brand and consumer consulting services to clients outside the company.

At the heart of the Futurebrands idea lies a desire to transform the traditional notion of a private label brand. By getting the same depth of understanding and creative inspiration as conventional brands do, and in addition being rooted in real and deep consumer insight, the company seeks to transform the brandscape in India. The engine driving Futurebrands is the team comprising of some very experienced and talented brand builders in the country. The company will make significant investments in consumer understanding as well as in innovative methods of building brands.

Futurebrands seeks to lend a cutting edge to what Pantaloon Retail offers, by giving its consumers the choice of exciting value-added brands while adding to its profitability and growth ambitions. In doing so, it wishes to empower the rapidly emerging Indian consumer with the ability to express herself more fluently in the language of consumption.

Futurebrands will be the licensor of select brands under apparel, home products, consumer durables, and food & beverages categories initially to Pantaloon Retail and thereafter in select cases to other distribution formats outside the company. Futurebrands will invest in advertising and brand building activities to enhance the selected brands' equities. To achieve this, its specialist brand teams will add value in the areas of product design, merchandising, packaging, and advertising.

To begin with, the key brands in Futurebrands' current portfolio include Dreamline, DJ&C, Bare, John Miller, Buffalo, Lombard, RIG, Tasty Treat, and Fresh & Pure. It aims to build sharp positioning differentiation for its brands

future brands 



through 360 degree communication. In the long term, these brands can enjoy the same trust that the best manufacturer brands enjoy today. This would result in building valuable brand assets for the Future Group.

The month of May 2007 witnessed the launch of the first brand from the Futurebrand portfolio, Dreamline, for the home category. Dreamline will offer a wide range of products in various categories and is endorsed by celebrated actor, Hema Malini, who has been appointed brand ambassador for Dreamline.

While the Kitchenware and Bed & Bath Linen categories under the brands 'Dream Kitchen' and 'Dream Bed & Bath' have already been launched, the Furniture and Home Décor categories will hit the market shortly.

Dreamline seeks to address the huge potential in the Home Category while catering to the needs of the masses, through innovatively designed and high quality products at affordable prices.



knowledge services

discovering the power of technology

Future Knowledge Services has been set up as an independent business unit that will cater to all IT requirements for the company as well as provide a technology-driven platform for providing strategy based, value added and knowledge driven business solutions for all businesses within the company. This initiative would witness Future Knowledge Services being the first retail and consumption driven technology services company in the country.

The pillars on which the deliverables of Future Knowledge Services are based include IT-based applications and implementation modules; Designed, Built and Run to enable businesses to function smoothly and accurately. SAP as the backbone provider, ensures connectivity throughout the group's retail formats, warehouses, vendor partners and allied businesses. In addition VPN and Business Intelligence and Data Warehousing tools have also been incorporated as a robust decision making enabler. Further, cutting edge technology advancements at the store level for better operational efficiencies and transactionary enhancements are underway.

Future Knowledge Services also plans to create the country's first retail driven and consumption specific-centered BPO and KPO outfit. In the Business Process Outsourcing sphere, the company would look at a mass transactional approach, involving high volumes, with all businesses within the company to begin with, and will eventually offer its services to affiliates, subsidiaries, joint venture

partners and vendors of the company. The BPO operations will typically look at back office operations such as Payroll, Data entry Operations, IT procurement needs and Human Resource management, being outsourced to Future Knowledge Services. Future Knowledge Services will leverage its domain knowledge, process framework and competence with technological solutions to offer cost effective and flexible services to its captive and external customers.

Future Knowledge Services is also very excited about entering the Knowledge Process Outsourcing space. Future Knowledge Services would provide domain based processes and business expertise, covering the tenets of business processing, research processing and deep dive analysis techniques. The unit will have a strategic edge over other KPO providers, in terms of having a unique retail focused business model, servicing businesses around the areas of consumption and financial services.

The value creation that Future Knowledge Services would initiate would therefore, be significant. It plans to set up its BPO & KPO campus in Ahmedabad, Gujarat and spread over nearly 40 acres, employing over 2,500 people. The location would provide the company cost advantage in terms of property, infrastructure facilities and people, thereby adding positively to the company's profitability.

human resources

discovering talent diversity

The company strongly believes that its sustainable competitive advantage lies in the values that it cherishes, the culture that it imbibes and spirit of enterprise that resides within the organization. Talent management therefore continues to be the core focus for the company. Considering the multiple businesses and rapid expansion expected across the business, the company saw merit in taking a fresh guard to the way in which business would run in order to meet the next leg of expansions.

During the year 2006-07, the company conducted an extensive review of in-house talent management, which involved mapping every managerial position in the organization for their skill sets, competence and attitudinal aspects as well as taking an inventory check of the existing talent base and addressing their development needs. Development Centres were created with in-house assessors, which further aided in identifying potential resources and helped chalk out post assessment development plans.

Continuing with its policy of strategic alliances, the company is collaborating on joint degree programs with 15 management schools, design institutes and institutes of higher learning in areas like food business, supply chain management, design experience management etc. This 'Seekho' programme for external and internal candidates has ensured a steady stream of mid level, well trained retail professionals every year.

The company's 'Gurukool' programme provides the front-end employees an opportunity to imbibe the company's values and a sense of ownership to the company. The company has also created an Employee Growth Trust Fund that was launched during the last financial year for the senior management.

Equal Opportunity

The company believes that in order to build a sustainable business environment, the composition of its talent base needs to reflect the diversity that exists in our country and among its customers. Therefore the company ensures that the proportional representation of different communities in the Indian population is mirrored in its employee profile.

The majority of employees in the company come from socially and economically marginalized sections of the society. Close to 46% of the employees in the organization are women and the average age within the organization is 27 years.

The effectiveness of its talent management initiatives is reflected in the fact that the annual rate of attrition is 8.12%, much below industry levels. The company plans to strengthen its employee platform to about 30,000 people by FY 08, from nearly 18,000 people as on FY 07.

Management Discussion and Analysis Report

Industry Structure and Developments

The domestic consumption story of India is at a point of inflection. The Indian economy grew at an unprecedented rate of 9.4% during 2006-07 with the Gross Domestic Product touching a trillion dollars at market prices. Private final consumption expenditure continued to be a key driver for this growth and is estimated to be US \$560 billion. On a conservative estimate the potential market size for retailing is around 56% of private consumption or around US \$310 billion.

Over the last couple of years, modern retail has emerged as one of the fastest growing sectors in the Indian economy. The modern retail sector in India is around 4.6% of the wider retail market, compared to 20% and 38% in China and Brazil respectively. This provides an enormous opportunity for modern retailers to benefit from rising consumption expenditure as well as capture a larger pie of the wider retail market. The modern retail sector is expected to enjoy 30-35% CAGR (compounded annual growth rate) and gain 11% share of the retail market within the next four years.

The optimism that is now associated with the modern retail sector has now found many votaries. Among them, consultancy firm, AT Kearney has identified India as the world's most attractive emerging market retail destination for the third consecutive year. Favorable demographics, booming consumerism and strong economic growth are acting as a key catalyst. Changing attitudes towards consumption and a rising propensity to consume highlight the fundamental shifts that are taking place in a traditionally debt-averse society, in which conspicuous consumption was once frowned upon.

Pantaloon Retail (India) Limited's business strategy was designed to capture these benefits of change and the rising consumerism that is evident in the country. In recent months, large domestic and international companies are showing strong interest in the retail sector, which your Company has been part of for a decade now.

Pantaloon Retail believes that the next phase of India's economic development will happen through increased consumption. Rise in consumption in India is setting about a virtuous cycle of consumption-led growth and development. Increased consumption is

leading to rise in manufacturing and job creation. This in turn is leading to income generation and wealth creation which is aiding further growth in consumption.

Rather than limit itself to just a few categories in retail, the Company therefore looked at capturing a significant portion of the entire consumption opportunity that the Indian economy provides. These are being done through multiple initiatives in existing businesses and also by building new businesses on the peripheries of the retail business.

The Company has significantly strengthened its existing mature businesses and is expanding established retail formats into new geographies and cities. At the same time, to capture new consumption trends, the Company has rolled out a large number of new initiatives and retail formats in segments like home improvement, consumer durables, communication products, books, music and entertainment, health, beauty and wellness among others. These specialty retail formats are in many cases the first in India and are expected to garner a significant portion of consumption expenditure going into new categories.

During the period under review, the Company opened 11 Pantaloons, 27 Big Bazaar, 13 stand-alone Food Bazaar, 1 Central and 5 Brand Factory. Subsidiary Company, Home Solutions Retail India Limited rolled out 2 Home Town, very-large format stores along with other retail formats. New stores covering around 2 million square feet of retail space were rolled out taking the total retail space under operation to around 5.2 million square feet as on June 2007. The Company plans to increase its retail space by nearly 4.5 million to 5.5 million square feet in the coming year.

In order to further leverage its reach and ability to attract increasing number of customers within its stores, the Company has rolled out new businesses and subsidiaries in the areas of consumer finance, capital, insurance, real estate funds, retail media, brand development and logistics. Each of these new initiatives is a step towards driving more value from its existing retail businesses and at the same time helps catalyses consumption within its stores.

Real Estate Outlook

Location, location and location are often cited as the three key requirements of the retail industry. Quality real estate is one of the most crucial inputs that go into building a robust retail business. The entry of new retail players and growing expectations from the retail

sector has significantly increased demand for real estate to a level that is much higher than what was anticipated by the industry. The sudden rise in demand in the backdrop of limited supply has led to a major increase in real estate prices. This situation is expected to continue at least for another two to three years.

However, your Company was able to anticipate this situation through scenario planning exercises and had planned ahead to meet this eventuality. Over the last couple of years, the Company has aggressively secured retail real estate space coming up across the country at lower rates to what it is currently available at. Pantaloon Retail has already secured around 23 million square feet of retail space which is expected to be operational on or before 2011.

Anticipating the need for quality retail real estate space over the next couple of years, the Company had taken a number of initiatives in the area of retail real estate space. It had secured and taken on long lease entire malls in various cities across the country. A number of malls and shopping centers are also being developed through the real estate funds that the Company has raised. While some part of these malls will be taken up by different formats of the Company, substantial area within these malls will be rented out to other retailers. Thus the Company will actually benefit from the rising real estate prices and rent-arbitrage opportunities.

Competitive Landscape Evolving

The growth and opportunity in the Indian retail space has attracted many players. A large number of domestic companies, including some of the largest business conglomerates in India, have either started to roll out their operations or are in the process of rolling out their initiatives in retail. Multinational companies have also announced their entry into India, through single-brand outlets, joint ventures with domestic companies and other routes. Regional companies are also growing fast and some of them are trying to enter at the national level.

Having been closer to the ground realities and being witness to the rising consumption demand at its own stores, the Company had expected that more players will be attracted into this sector, sooner or later. Over the years the Company had pursued large scale expansion. At the same time, it had taken aggressive steps to ensure that real estate, supply partners and potential employees are locked-in for the years ahead so that none of these inputs become scarce once

competition sets in. These steps are now expected to pay dividends and provide competitive advantage as new entrants come in looking for these resources. The Company believes that its expansion and execution plan will not be affected by the entry of new players.

Considering that the share of modern retail is at 4.6%, the entry of new players should help develop and expand the market and create more opportunities and choice for the consumer. It is only expected that it will take time for the new players to develop a pan-India business. The Company believes that for the coming year, competition will vary from location to location, rather than being at a national level.

Human Resource Initiatives

Pantaloon Retail believes that one of its sustainable competitive advantages will continue to be the people who are part of the organization. Being in service industry, the Company places a lot of focus is placed on attracting, training, incentivising and retaining talent. The vision is *"To provide an environment that creates happy people who have a meaningful life and add value to business and society."*

With over 18000 employees at an average age of 27 years, the Company prides itself on being a young and energetic organization, driven through the **'The Pantaloon People Management System'**. This is built on 5 pillars of people based growth, namely - *Culture Building, Performance Management through Balanced Scorecard, People Processes, Management Processes and Leadership Brilliance.*

Training

A competent Learning & Development Team is responsible for training employees at all the levels across the country, focusing on primary and secondary research into various aspects of retail and assessment of training needs across Knowledge, Skills & Attitude areas. The emphasis is on creating product and process knowledge through well defined programs like **Praarambh and Parikrama**. For the critical front line staff, the Company's unique out-bound residential training program **Gurukool** focuses on integrating the mind, body and soul and brings about measurable attitudinal and behavioral changes. The program has covered nearly 4,500 employees. The **SMILE** initiative for training of new Store Manager's has been created and disseminated to over 100 store managers by this team.

The year under review has witnessed the organization focusing on Talent Management and Development. A

well-the established system of competency mapping and assessment centre deployment is in place, and during the year under review 25 assessment centres were conducted covering 400 associates across various levels. The training program are conducted to build the skill level which are mapped with employee's current as well as potential job role keeping in mind the current and future business needs.

In addition, the Company has tied up with leading business schools and institutes of higher learning like Welinkars' Institute of Management Development and Research, KJ Somaiya Institute of Management Studies and Research, Chennai Business School, Indira School of Career Studies and Indian Institute of Social Welfare and Business Management, among others. This has been done to create a strong bench strength of young and dynamic future store managers and retail professionals. At the same time, it also provides internal growth opportunities to existing employees through various customized and innovative program.

Design Management

We are moving towards an environment wherein speed and imagination is going to play the critical role in driving business. In such an environment, organizations need to create an environment that fosters creativity and innovation. Till now, most management education, systems and processes have depended on rational analysis, leaving little scope for brining in disruptive innovation and micro-innovation in day to day operations of organizations.

Design Management as a subject looks at integrating the rational or analytical side of our brain with the creative side of the brain. It helps professionals to discover a creative and innovative approach towards addressing day to day challenges. Design Management has been imbibed as a successful strategic tool within the Company. Training programs are imparted on the Design Management concept so that integrating this tool becomes a part of the Company's DNA. Nearly 1,500 senior management personnel have undergone this program.

Marketing Initiatives

Considering the scope and scale of the consumer-centric business, the Company aims to achieve dominance in terms of mindshare of every section of consumers. The objective is to acquire a dominant mindshare among consumers that is similar and complimentary to the huge shelfspace the Company has for various merchandise and categories.

Being present in various businesses within the consumption space requires your Company to develop strong marketing teams that can implement effective communication strategies. These become far more critical in the current context, wherein we are entering new categories, targeting new customer segments and increasing out footprint in new geographies, cities and town. The Indian environment demands that we communicate our brand message not only at the national level, but also in multiple languages and build targeted campaign for each community to cater to.

Keeping in mind the criticality of marketing and communication initiatives, the Company has developed a multi-tier marketing department that delivers customized solutions to individual formats, zones and also works at the Company and national level. The Company is also working with some of the most well known advertising, branding and communication companies and media houses to effectively implement these initiatives.

One of the best evidence of the strength of its initiatives was the **Sabse Sasta Din** celebrations at Big Bazaar stores across the country that attracted millions customers, many of whom were visiting Big Bazaar for the first time. Through the year, the Big Bazaar team uses multiple communication channels, languages and messages to build the brand.

The Company's flagship format, Pantaloons went in for an exciting makeover during the year under review, the highlight being the signing up of style icons **Bipasha Basu & Zayed Khan** as its brand ambassadors. A multi-media approach was used with the celebrities on radio, TV, print and outdoor campaigns. Complimenting this were other initiatives like association with **Femina Miss India 2007 Pageant** and **Pantaloons Channel V VJ Freshers**.

The Company is also placing a lot of emphasis on creating and developing brands that cater to Indian aspirations. A subsidiary Company, Futurebrands, led by Mr. Santosh Desai, formerly CEO of McCann Erickson India is leading this initiative. The Company plans to invest significantly in its private label portfolio and hopes to transform each of the brands in categories like fashion, general merchandise, foot and consumer durables, into national brands.

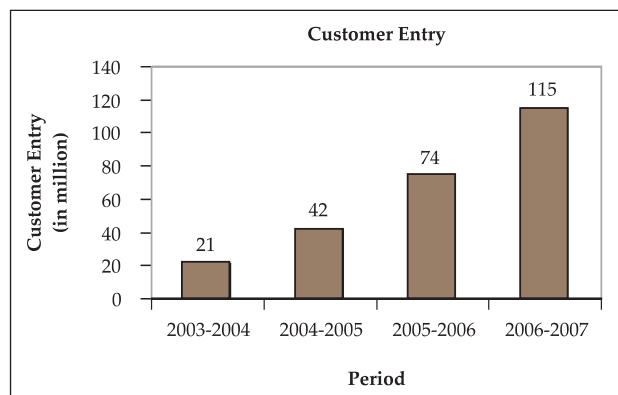
With 150 million annual footfalls being registered across it stores, the Company has formed a new subsidiary, Future Media, that is engaged in creating and delivering media properties within the retail

environment. Retail media is a mature media platform in most developed markets and this subsidiary has already roped in some of the largest media buyers in the country to advertise on its network. The Company is leveraging this in-house expertise and resource to further build its own brands.

Operating Performance

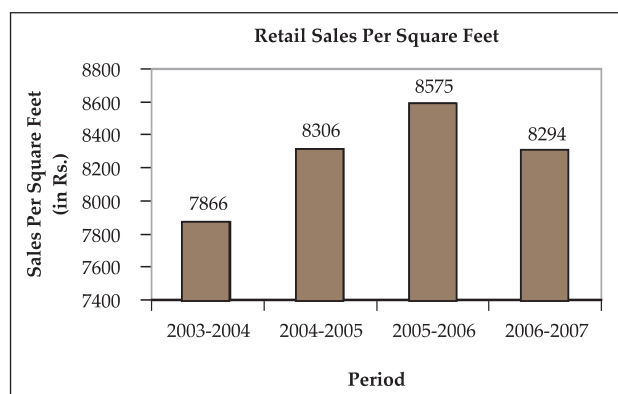
Customer Entry

Measured as the number of people visiting or entering the stores across formats during operational hours. It is calculated manually at the time of entry. Since 2003-04, the Company has witnessed a nearly 54% CAGR in customer entry.



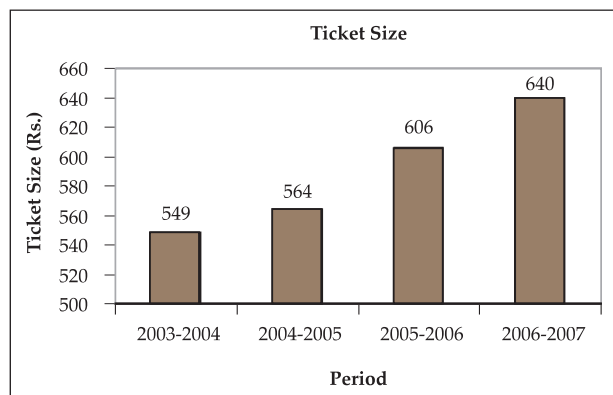
Retail Sales per square feet

This is derived by considering the total retail sales divided by the operational space.



Ticket Size

Ticket size is a representation of the amount that each time a customer spends while shopping in the store. The calculation looks at the total sales divided by the number of cash memos generated.



Review of Financial Performance of the Company for the period under review

Sales

The Company's turnover has increased from Rs. 1758.50 crores to Rs. 3031.44 crores, an increase of 72.39 % over the previous year. The Company has also recorded same store growth of 16.88% during the year.

Operating Profit

Operating profit of the Company for the year 2006-2007 stood at Rs.218.74 crores as compared to Rs. 149.64 crores in the previous year, an increase of 46.18% over the previous year. The operating margin has come down to 6.76% in the current year as compared to 8.01% in the previous year. The reported figure is exclusive of extraordinary gain of Rs. 88.88 crores.

The fall in margin is the result of change in sales mix with an increasing share of low margin products as well as due to marginal increase in personnel cost.

Interest

Interest & Financial charges outflow has increased from Rs. 36.92 crores in 2005-06 to Rs. 89.76 crores in 2006-07. The increase in interest and financial charges is on account of additional borrowing for funding the growth plans of the Company (Expansion of retail space coverage from 2.70 million Sq. ft. to 5.20 million Sq. ft., an increase of 2.50 million Sq. ft. space on an approximate basis.)

The interest & financial charges cover during the year under review has marginally fallen down to 3.43 times as compared to 4.05 times in the preceding year.

Weighted average cost of borrowing has increased

from 7.90% to 10.38 % on account of higher cost of funds/borrowings driven by market conditions.

Net Profit

Net profit of the Company for the year under review stood at Rs. 119.99 crores as compared to Rs. 64.16 crores in the previous year, an increase of Rs. 55.83 crores and 87.01% over the previous year.

Dividend

The Company has proposed the dividend of 25% for the current year amounting to Rs. 8.82 crores. (including corporate dividend tax)

Loans and Advances

Loans and advances stood at Rs.633.85 crores in 2006-07, an increase of Rs.336.28 crores over the previous financial year. The major component of loans and advances represents advance lease deposits for the stores paid to Lessors and advances given to suppliers.

Capital Employed

The capital employed in the business increased by Rs.1291.39 crores in 2006-07. This is reflected in the liabilities side of the balance sheet through an increase in borrowings by Rs. 698.19 crores and an increase in equity by Rs. 565.28 crores. Return on capital employed has been declined from 18.30% to 17.48% on account of significant investment in subsidiaries and joint ventures and lease rental deposits given for stores.

Surplus management

The Company generated a cash profit of Rs.184.78 crores as compared to Rs. 99.85 crores in the last year, registering the growth of 85.06%. The cash outflow on account of proposed dividend is Rs.8.82 crores. The balance amount is ploughed back into the business to fund the growth.

Cash Flow

The Company has registered the cash profit of Rs. 184.78 crores during the year. The growth of the Company has partly been funded by the cash generated from the business as well as from additional funds borrowed and equity funds infused during the year.

Equity Share Capital

The face value of equity shares of the Company during

the year has been sub-divided from Rs. 10/- per share to Rs. 2/- per share. Consequent to the split the number of equity shares of the Company has increased from 268.85 lacs to 1344.23 lacs.

The Company during the year under review has allotted 62,65,060 equity shares of Rs. 2/- each at a premium of Rs. 413/- per share to Qualified Institutional Buyers under Chapter XIII-A of Securities & Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000.

The Company had also made allotment of 800 equity shares of Rs. 2/- each at a premium of Rs. 98/- per share aggregating to Rs. 80,000/- out of the shares, which were kept in abeyance in the Rights Issue of the Company in December 2005.

The Company during the year has also allotted 60,62,400 equity shares of Rs. 2/- each at a premium of Rs. 325/- per share on account of conversion of warrants. The allotment is in accordance with provisions contained in Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000.

The resultant increase in "Equity Funds" on account of allotment of equity shares during the year is Rs. 458.25 crores.

Debt-Equity

Debt-equity ratio of the Company has marginally declined with the additional funds borrowed for the expansion of the retail operations of the Company. Debt-equity ratio has increased marginally from 0.50 in the previous year to 0.79 in the current year.

Earning Per Share (EPS)

The Company's Basic Earning Per Share (EPS) is Rs. 8.71, which was Rs. 5.06 in the preceding year registering the growth of 72%. The Company during the year has expanded its equity base from 1344.23 lacs equity shares to 1467.51 lacs equity shares.

Cash Earning Per Share (CEPS)

The Company's Cash Earning Per Share (CEPS) is Rs. 11.39, which was Rs. 6.70 in the preceding year registering the growth of 70 percent.

Investment

The Company's investment portfolio has increased substantially from Rs. 161.67 crores in 2005-2006 to Rs. 252.01 crores in 2006-2007. The increase in

investment during the year is mainly by way of subscription of shares in Subsidiaries/Associates/Joint Ventures.

Opportunities, Risks and Threats

A strong economic environment, changing consumer tastes and preferences, a young demographic profile provide a strong backdrop for the Company's expansion plan. The Company is pursuing higher growth path to capture the mind and market share in fast evolving industry. While faster growth means higher risks as well, the Company has well spread its risk by having retail outlets in both the value and life style segment, in multiple categories, across the country. The Company's business model is well balanced to capture the consumption of the customer at the same time managing the risk being well spread.

The Company faces the risk from new players entering into the retail sector as well as from the existing player in unorganized sector. The organized retail market has very small share in the total retail market and penetration is still very low. The entry of more players at this stage will help to grow the market faster. The Company may face competition from new entrants who may go for higher promotion and markdown to capture the customers. However Company is well positioned to take this challenge with its brand position, scale of economy and national reach. The competition still will be in pockets of market and location-based since any new entrant has to rollout their outlet one by one.

In recent months, some modern retailers have faced opposition from some trade lobbies and this situation is slowly acquiring political overtones. Entry of multinational retailers and expansion into new cities by new retailers has been greeted with protests and arson. These pose some threat to further expansion of modern retail. However, Pantaloon Retail or any of its formats has not yet been the target of any such protests. Pantaloon Retail's inclusive business model and strong relationships with the communities that it serves through its retail chains has held the Company in good stead till now.

As business grows exponentially Company will also have risk of execution. In order to contain this risk the Company continues to place maximum emphasis on recruiting, training and retaining its employees. The Company feels that it has adequate, well trained

and stable workforce to manage the growth.

Internal Controls and Their Adequacy

The Company had undertaken a comprehensive review of its risk management process and put an Enterprise Risk Management Framework (ERM) in place. This involved identification of key risks and control processes to mitigate the same. The Company has also implemented "Internal Control Framework" for Financial Reporting, wherein key accounts, process and controls were identified, documented & tested. The Company has well defined organization structure, documented authorities & procedures and internal controls which are being reviewed by internal audit team.

The Company is continuously upgrading its internal control systems by measuring state of controls at various locations. Controls in SAP, an ERP system have been strengthened with help of review conducted by Ernst & Young.

The Audit Committee, comprising independent directors is involved in regular reviewing of financial and risk management policies, significant audit findings, the adequacy of internal controls and compliance with the accounting standards.

Forward-looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

PANTALOON RETAIL (INDIA) LIMITED

Directors' Report

To
The Members,

Your Directors are pleased to present the Twentieth Annual Report together with audited Statements of Accounts for the year ended 30th June 2007.

FINANCIAL HIGHLIGHTS

The operating results of the Company for the year under review are as follows:

	(Rs. in Crores)	
	2006-2007	2005-2006
Gross Sales	3,550.35	2,018.77
Own Sales (Net of Taxes)	3,031.44	1,758.50
Other Operating Income	205.29	110.47
Other Income	92.03	3.00
Total Income	3,328.76	1871.97
 Profit before Depreciation & Tax	 217.87	 112.72
Less: Depreciation	36.86	20.82
Profit before Tax	181.01	91.90
Less: Earlier Year's Income Tax	0.06	0.07
Less: Provision for Taxation	60.96	27.67
Profit after Tax	119.99	64.16
Add: Profit brought forward from previous year	116.59	66.51
Surplus available for appropriation	236.58	130.67
Appropriation		
Proposed Dividend	7.54	6.72
Provision for Dividend Tax	1.28	0.94
Transfer to General Reserve	12.00	6.42
Balance carried to Balance Sheet	215.76	116.59

REVIEW OF PERFORMANCE

During the year, your Company recorded growth in both topline as well as bottom line. Income from operations went up from Rs.1868.97 Crores in FY05-06 to Rs.3236.74 Crores in FY06-07 recording a growth of 73.18 percent.

Profit before Depreciation, Interest and Tax stood at Rs.307.62 Crores in 06-07, an increase of 105.58 percent over the preceding year. Profit after Tax for FY06-07 was Rs.119.99 Crores, an increase of 87.03 percent over FY05-06.

The Company has doubled its retail space from 2.50 million

square feet to 5.2 million square feet during FY06-07. The company has increased its presence from 23 cities to 42 cities during FY06-07.

DIVIDEND

The Board of Directors of the Company has recommended a dividend of Rs.0.50 (25%) per equity share. The dividend will be declared in the ensuing Annual General Meeting based on approval by the Shareholders. The total payment on account of dividend (including Dividend tax) shall be Rs.881.86 lacs.

SUBSIDIARY COMPANIES & JOINT VENTURES

SUBSIDIARY COMPANIES

During the financial year 2006-07, the following companies have become subsidiaries of the Company:

Future Generali India Insurance Company Limited

Future Generali India Insurance Company Limited (**FGIICL**) was incorporated on 30th October 2006 to undertake and carry on the business of general insurance. The approval for carrying on General Insurance Business has been received from the Insurance Regulatory and Development Authority of India (IRDA) on the 4th September 2007 subsequent to which FGIICL has filed some of the products for the approval of the Regulator. The Company has 100% stake in FGIICL as on 30th June, 2007. FGIICL is presently in the process of identifying various locations for its branches and expects to commence business in second quarter of FY07-08 on receiving the product approval from the Regulator.

Future Generali India Life Insurance Company Limited

Future Generali India Life Insurance Company Limited (**FGILICL**) was incorporated on 30th October 2006 to establish and conduct the business of life insurance in India which will comprise of whole life insurance, endowment insurance, double benefit and multiple benefits insurance etc. The approval for carrying on Life Insurance Business has been received from the IRDA on the 4th September 2007 subsequent to which the FGILICL has filed some of the products for the approval of the Regulator. The Company has 100% stake in FGILICL as on 30th June, 2007. FGILICL expects to commence business in second quarter of FY07-08 on receiving the product approval from the Regulator.

Futurebazaar India Limited

Futurebazaar India Limited (**FBIL**) is set up as the e-Retailing arm of the Future Group for providing on-line shopping experience. The Company has first acquired stake in FBIL on 17th August, 2006 and is presently holding 99.67% as on 30th June, 2007. Futurebazaar.com was launched on 2nd January, 2007. FBIL has set up the necessary infrastructure and systems for its e-Retailing business. During the year ended 2006-07, FBIL registered income from operations amounting to Rs. 3.90 Crores. Loss incurred during the period amounts to Rs.17.33 Crores.

Future Brands Limited

Future Brands Limited (**FBL**) has been incorporated on 22nd November, 2006 and is involved in the business of creating, developing, managing, acquiring and dealing in all kind of brands and IPRs (Intellectual Property Rights). The Company has 100% stake in FBL. FBL is still in the stage of being

fully operational and started its operations in the first quarter of FY07-08.

Future Knowledge Services Limited

Future Knowledge Services Limited (**FKSL**) was incorporated on January 18, 2007 and is engaged in the business of business process outsourcing and knowledge process outsourcing. The Company has 100% stake in FKSL. FKSL is yet to start its operations.

Home Solutions Services (India) Limited

Home Solutions Services (India) Limited (**HSSIL**) was incorporated on January 18, 2007 to carry on business of complete solutions provider, home management services, Society management services, Administrative and Management Services on contract basis for homes, offices, clubs, complexes, stores etc. The Company is a 100% subsidiary of Home Solutions Retail (India) Limited, which is subsidiary of the Company. HSSIL is still in the stage of being fully operational.

Home Lighting India Limited

Home Lighting India Limited (**HLIL**) was incorporated on January 24, 2007 to offer home lighting products in organized retail sector which include designer ambience and mood lighting. Home Solutions Retail (India) Limited (HSRIL), subsidiary of the Company, has 51% stake in the HLIL. HLIL is a Joint Venture Company between HSRIL, Asian Electronics Limited and Idiom Design & Consulting Limited. HLIL is still in the stage of being fully operational.

Future Hospitality Management Services Limited

Future Hospitality Management Services Limited (**FHMSL**) was incorporate on March 31, 2007 for providing investment advisory services. Future Capital Holdings Limited, subsidiary of the Company, has 100% stake in FHMSL. FHMSL is still in the stage of being fully operational.

Sivagami Finance & Investments Limited

Sivagami Finance & Investments Limited (**SDIL**) is a Chennai based NBFC and engaged into financing of vehicles & equipments. Future Capital Holdings Limited, subsidiary of the Company, has 100% stake in SDIL. SDIL is continuing its business of financing of vehicles.

Future E-Commerce Infrastructure Limited

Future E-Commerce Infrastructure Limited (**FECIL**) was incorporated on May 25, 2007 and is involved in the business of dealing in all kinds of goods and products (including services) through electronic mode. The Company has 84.99% stake in FECIL. FECIL is still in the stage of being fully operational.

Future Mobiles and Accessories Limited

Future Mobile and Accessories Limited (**FMAL**) was incorporated on June 23, 2007 and is involved in the business of dealing in all kinds of communication products. The Company has 100% stake in FMAL. FMAL is still in the stage of being fully operational.

Future Finmart Limited (FFL) will be providing retail financial services and is a 100% subsidiary of Future Capital Holdings Limited. FFL has started rolling out financial supermarket "Future Money".

PERFORMANCE OF OTHER SUBSIDIARIES

Home Solutions Retail (India) Limited

Home Solutions Retail (India) Limited (**HSRIL**) was incorporated to offer solutions in home retailing. The company offers everything and anything consumer need to make a home. The key product categories are Consumer Durable & Electronics (CDE), Furniture, Home furnishing & decor, Home improvement and Home services. HSRIL operates retail format Collection-i, Furniture Bazaar, Electronics Bazaar, Home Town and e-zone. The Company has 73.32% stake in HSRIL. During FY06-07, HSRIL registered income from operations amounting to Rs.323.14 Crores. Loss incurred during the period amounts to Rs.40.89 Crores.

Pantaloon Food Product (India) Limited

Pantaloon Food Product (India) Limited (**PFPI**) was incorporated with the object of sourcing and backward integration of food business of the Company. PFPI has sourcing and distribution bases at all key cities across the country. The Company has 100% stake in PFPI. During FY06-07, PFPI registered income from operations amounting to Rs.147.80 Crores and profit after tax stood at Rs.0.44 Crores.

Pan India Restaurants Limited

Pan India Restaurants Limited (**PIRL**) is in the business of quick service restaurants and food courts. PIRL operates food on go retail format Chamosa. The Company has 98.46% stake in PIRL. PIRL has registered net profit of Rs.0.05 Crores on the turnover of Rs.3.55 Crores in FY06-07. As per scheme of amalgamation approved by Bombay High Court, this Company has merged with Galaxy Entertainment Corporation Limited.

Convergem Communication (India) Limited

Convergem Communication (India) Limited (**CCIL**) (formerly known as Convergem Retail (India) Limited) was incorporated to set up a chain of retail outlets for dealing in areas of communication, data & voice storage and other

related products. The Company has 100% stake in CCIL. During FY06-07, CCIL registered income from operations amounting to Rs.0.52 Crores. Loss incurred during the period amounts to Rs.0.10 Crores.

Foot-Mart Retail India Limited

Foot Mart Retail India Limited (**FMRIL**) is 51% subsidiary company operating in Footwear retail space. Liberty Shoes Limited, a leading footwear manufacturing and distribution company holds other 49% stake in FMRIL. FMRIL operates footwear retail format Shoe Factory and Pairs. During FY06-07, FMRIL registered income from operations amounting to Rs.12.63 Crores. Loss incurred during the period amounts to Rs.9.81 Crores.

Future Logistic Solutions Limited

Future Logistic Solutions Limited (**FLSL**) has been incorporated as a separate entity and is involved in the business of providing logistics, transportation and warehousing services. The Company has 100% stake in FLSL. During FY06-07, FLSL registered income from operations amounting to Rs.3.73 Crores. Loss incurred during the period amounts to Rs.1.95 Crores.

Future Media (India) Limited

Future Media (India) Limited (**FMIL**) was incorporated as the Group's media venture, aimed at creation of media properties in the ambience of consumption and thus offers active engagement to brands and consumers. FMIL offers relevant engagement through its media properties like Visual Spaces, Print, Radio, Television and Activation. The Company has 100% stake in FMIL. During FY06-07, FMIL registered income from operations amounting to Rs.4.09 Crores. Loss incurred during the period amounts to Rs.4.11 Crores.

Future Capital Holdings Limited

Future Capital Holdings Limited (**FCH**) was formed to manage the financial services business of the Future Group. FCH is a capital holding company and manages the asset management business. The Company has 78.25% stake in FCH. During FY06-07, FCH registered income from operations amounting to Rs.9.27 Crores and profit after tax stood at Rs.0.16 Crores. The following are the subsidiaries of FCH:

Kshitij Investment Advisory Company Limited (KIACL) is mainly engaged in investment advisory activity. KIACL is the manager to the Rs.350 Crores Kshitij Venture Capital Fund and Investment Advisor for \$90 Million Horizon Development Management LLC, Mauritius. FCH has 92% stake in KIACL. During FY06-07, KIACL registered income from operations amounting to Rs.15.20 Crores. Loss incurred during the period amounts to Rs.0.35 Crores.

Ambit Investment Advisory Company Limited (AIACL)

is a 100% subsidiary of FCH. During FY06-07, the company has earned profit of Rs.0.35 Crores

Indivision Investment Advisors Limited (IIAL) act as domestic advisor to Mauritius based advisor of Indivision India Partners LLC, Mauritius. FCH has 100% stake in IIAL. During FY06-07, IIAL registered income from operations amounting to Rs.14.91 Crores and profit after tax stood at Rs.4.19 Crores.

Myra Mall Management Company Limited (MMMCL) is engaged in the business of acquisition and leasing of commercial properties. MMMCL owns office premises of 44,000 square feet at Peninsula plaza. FCH has 100% stake in MMMCL. During FY06-07, MMMCL registered income from operations amounting to Rs.2.61 Crores. Loss incurred during the period amounts to Rs.1.29 Crores.

CIG Infrastructure Private Limited

CIG Infrastructure Private Limited (**CIPL**) was incorporated to deal in the business of real estate promotion and development. The Company is holding 51% stake in CIPL. CIPL is Special Purpose Vehicle (SPV) for development of real estate at Noida (U.P).

The Ministry of Corporate affairs has granted the exemption to the Company from the requirement to present detailed financial statement of each subsidiary. A statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies has been given as an annexure to the Annual Report. Further annual accounts of the subsidiaries companies and related detailed information will be made available to the holding and subsidiaries investors, seeking such information at any point of time. The annual accounts of the subsidiary companies are kept for inspection by any investor at the head office of the Company and that of the respective subsidiary company's office. Further a separate statement is attached as an addendum to the Annual Report giving information about the subsidiaries as per requirement of the exemption letter.

JOINT VENTURES**Staples Future Office Products Private Limited**

Staples Future Office Products Private Limited (**SFOPPL**) was incorporated on January 9, 2007 and is involved in the business of dealing in all kinds of office supplies, office equipments and products. SFOPPL is a joint venture between the Company and Staples Asia Investment Limited (a subsidiary of Staples Inc USA). During FY06-07, SFOPPL registered income from operations amounting to Rs.1.72 Crores. Loss incurred during the period amounts to Rs.0.31 Crores.

Alpha Future Airport Retail Private Limited

Alpha Future Airport Retail Private Limited (**AFARPL**) was incorporated on November 17, 2006 and is involved in the business of retailing of all consumable products, foods and beverages at airport terminals world-wide. AFARPL is a 50:50 joint venture company between Alpha Airport Retail Holdings Private Limited and the Company. AFARPL is still in the stage of being fully operational.

Gupta Infrastructure (India) Private Limited

Gupta Infrastructure (India) Private Limited (**GIPL**) has been floated as a joint venture with Gupta Coal India Limited, and Cineline Entertainment India Private Limited and is involved in the business of development of infrastructure facilities. The Company has 19.38% stake in GIPL. This is Special Purpose Vehicle to development of a retail mall at Raipur, Chatisgarh.

Planet Retail Holdings Private Limited

Planet Retail Holdings Private Limited (**PRHPL**) was incorporated to carry out retail sale and wholesale business of fashion, sports and lifestyle products. PRHPL operates a chain of sportswear goods and have license of international brands. The Company has 49 % stake in PRHPL. During the year ended 2006-2007, PRHPL registered income from operations amounting to Rs. 88.93 Crores. Loss incurred during the period amounts to Rs.7.62 Crores. Supreme Tradelinks Private Limited (100% Subsidiary) has achieved a turnover of Rs.58.63 Crores and has registered the profit of Rs.2.21 Crores.

Pan India Food Solutions Private Limited

Pan India Food Solutions Private Limited (**PIFSPL**) was incorporated on May 1, 2006 and is involved in the business of restaurants and Food Courts. PIFSPL is a 50:50 joint venture between the Company and Blue Foods Private Limited. During FY06-07, the company registered income from operations amounting to Rs.18.85 Crores. Loss incurred during the period amounts to Rs.11.85 Crores.

Talwalkars Pantaloon Fitness Private Limited

Talwalkars Pantaloon Fitness Private Limited (**TPFPL**) was incorporated on December 19, 2006 and is involved in the business of setting up gymnasiums and dealing in fitness equipments and other health products. TPFPL is a 50:50 joint venture between the Company and Talwalkars Better Value Fitness Private Limited. TPFPL is still in the stage of being fully operational.

Joint Venture with Axiom Telecom LLC, UAE

The Company has entered into a 50:50 joint venture with Axiom Telecom LLC, UAE on July 20, 2007 to do sourcing and wholesale distribution of mobile handsets, accessories

and setting up service centres and authorized after sales service centers for mobile handsets in India.

EQUITY SHARE CAPITAL

The Face Value of the equity shares of the Company was sub-divided from the face value of Rs. 10/- per share to Rs. 2/- per share w.e.f. 19th December 2006

The equity share capital of the company has increased from Rs. 26,88,46,210/- to Rs. 29,35,02,730/- due to the following further issue of capital:

- ✎ Allotment 62,65,060 equity shares of Rs. 2/- each at a premium of Rs. 413/- per equity share aggregating to Rs. 259,99,99,900/- to Qualified Institutional Buyers under Chapter XIII-A of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.
- ✎ Allotment of 800 equity shares of Rs. 2/- each at a premium of Rs. 98/- per share aggregating to Rs. 80,000/- which were earlier kept in abeyance in the Rights Issue of the Company in December 2005.
- ✎ Allotment of 60,62,400 equity shares of Rs. 2/- each at a premium of Rs.325/- per equity share to Erudite Trading Private Limited, an associate Company of the promoter group on preferential basis pursuant to Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The management discussion and analysis report has been dealt with extensively elsewhere in the Annual Report.

THE FUTURE

The Company is continuing its network expansion plan to increase the footprint all across India by rolling out new store in exiting formats as well new formats to capture the consumption boom in the country. The Company has planned to increase retail space from 5.2 million square feet to over 10 million square feet. The Company has established various subsidiary and joint venture companies to capture the customer spend and all these companies have started operations. These companies are also pursuing high growth plan to achieve scale and create formidable business of their own. Some of major subsidiaries will also plan to go public to raise resource to finance their respective growth needs. The Company has moved now from pure retail space to consumption space and added consumer finance, insurance, media, logistics and brand business to its portfolio of business. These businesses will help to capitalize on the synergies with retail business to create shareholder wealth. The Company will also able to unlock value out of these businesses listing these subsidiary companies and

partnering with strategic partners.

DIRECTORATE

Mr. Kishore Biyani and Mr. Gopikishan Biyani retire by rotation and being eligible offer themselves for re-appointment.

Ms. Bala Deshpande was appointed as additional director of the Company w.e.f. 27/04/2007. She holds office till the date of the ensuing Annual General Meeting. The Company has received requisite notice together with deposit, as provided under section 257 of the Companies Act, 1956, from a shareholder proposing the appointment of Ms. Bala Deshpande as a director liable to retire by rotation.

The present tenure of Mr. Rakesh Biyani as Wholetime Director was upto 31/03/2007. The Remuneration Committee and Board of Directors at their meeting held on 25/01/2007 considered and approved the re-appointment of Mr. Rakesh Biyani as Wholetime Director for a further period of five years w.e.f. 01/04/2007 subject approval of the members in the ensuing annual general meeting.

None of the Directors are disqualified under Section 274(1)(g) of the Companies Act, 1956.

AUDITORS

M/s. NGS & Co., Chartered Accountants, Mumbai, hold office as Statutory Auditors upto the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Shareholders are requested to appoint them as Statutory Auditors to hold office upto the conclusion of the next Annual General Meeting and to fix their remuneration. The observations made by the auditors are self-explanatory.

FIXED DEPOSITS

The Company has not accepted any Deposits during the year. Total deposits aggregating to Rs. 19,000/- were repaid during the year and unclaimed deposits aggregating to Rs. 15,000/- were transferred to the Investors Education and Protection Fund. Unclaimed deposits at the end of the year is Rs. 15,000/-.

REPORT ON CORPORATE GOVERNANCE

A detailed report on Corporate Governance has been included as an attachment to this Report.

PARTICULARS OF EMPLOYEES

The statement containing particulars of employees as required under section 217(2A) of the Companies Act, 1956 and the rules made thereunder, is given as an annexure appended hereto and forms part of this report. In terms of Section 219(1)(iv) of the Act, the report and accounts are being sent to the shareholders excluding the aforesaid

annexure. Any shareholder interested in obtaining the copy of annexure may write to the compliance officer at the registered office of the company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that: -

- (i) in preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures;
- (ii) the accounting policies selected have been applied consistently and judgments made and estimates given are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 30th June 2007 and the profit of the company for the year ended on that date;
- (iii) 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 fraud and other irregularities;
- (iv) the accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

A Statement giving details of conservation of energy (in Form A) and foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988, in Annexure I is attached and forms part of this report. However there is no expenditure on R&D, Technology absorption, adoption & innovation during the current financial year.

AWARDS AND RECOGNITIONS

- The International Retailer for the Year 2007 at National Retail Federation Awards. National Retail Federation is the world's largest retail trade association with over 1.4 million members in the US and across the world;
- The Emerging Market Retailer of the Year 2007 at World Retail Congress Awards;
- Business Leadership Award 2007 – Retail Category from NDTV Profit;

- Trusted Brands Platinum Award (Supermarket Category) to Big Bazaar at Reader's Digest Trusted Brands Platinum Awards;
- The Numero Uno Retail Organisation of India by Retail Asia Publishing;
- The Best Employers in India -Rank 14 in 2007 based on the annual survey of best employers done by Hewitt Associates;
- Big Bazaar won the award for Best Value Retail Store, as well as Best Retail Destination, Food Bazaar bagged the award for Best Food & Grocery Store & Shri Kishore Biyani, was awarded the Retail Face of the Year at Images Retail Awards 2006;
- Big Bazaar won the CNBC - AWAAZ CONSUMER AWARD 2006 in retail category as the most preferred, large, food and grocery store;
- Big Bazaar & Pantaloon stores were ranked in the top 10 brands in Retail /Leisure category in India's most trusted brands 2007 by the list published by Brand Equity, Economic Times;
- Shri Kishore Biyani, Managing Director of the Company was awarded :
- The Ernst & Young Entrepreneur of the year Award 2006 in the services segment on 11/11/2006;
- First Generation Entrepreneur of the Year on 7/12/2006 at the CNBC TV 18 India Business Leader Award 2006;

ACKNOWLEDGMENT

The Board wishes to place on record their sincere appreciation to all the consumers, working capital consortium bankers lead by Bank of India, vendors, and other stakeholders for the continued support and patronage during the previous year.

The board further wishes to record their sincere appreciation to the employees of the Company whose efforts, hard work and dedication has enabled the Company to achieve the targets and recognitions.

For and on behalf of the Board,

Kishore Biyani
Managing Director

Rakesh Biyani
Wholtime Director

Place : Mumbai

Date : 26th September, 2007

ANNEXURE I

A) Conservation of energy

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy.

A) Power and fuel consumption (Manufacturing Facility)	2006-2007	2005-2006
(1) ELECTRICITY		
Purchased		
Unit	694,847	678,065
Total amount (In Rs.)	39,60,728	31,24,259
Rate/unit	5.70	4.61
(2). FURNACE OIL		
Quantity (K.Ltrs.)	97,030	72,080
Total amount (In Rs.)	19,06,047	1,430,145
Average rate (Rs. / Ltr.)	19.64	19.84
(3) HSD		
Quantity (K.Ltrs.)	28550	19,707
Total amount	10,23,387	727,036
Average rate (Rs. / Ltr.)	35.85	36.89

B) Foreign Exchange Earnings and Outgo

FOREIGN EXCHANGE OUTGO

(Rs. in Crores)

	2006-2007	2005-2006
Travelling Expenditure	0.43	0.33
Interest on FCNR Loan	1.86	9.92
Consulting Fees	3.87	2.76
License Fees and Royalty	0.49	0.32
Imports		
Raw Materials	1.86	2.62
Finished Goods	2.77	2.25
Capital Goods	25.68	6.52
Stores & Spares	0.08	0.06
Stitching Materials	0.31	1.16
Accessories & Others	0.58	0.60
FOREIGN EXCHANGE EARNING		
Earnings in Foreign Currency	38.41	35.47

CORPORATE GOVERNANCE REPORT

Corporate Governance indicates transparency, accountability and reliability on any organisation.

One of the core missions of your organisation is to achieve excellence in all spheres, be it profitability, growth in market share, superior quality of products and services to the satisfaction of the stakeholders through an efficient and effective code of governance.

We aim at providing fairness, clarity and transparency in all our dealings and increasing the value of all stakeholders of the Company.

The Corporate Governance Report of the Company for the year ended 30th June 2007 is as follows:

1. BOARD OF DIRECTORS

The composition of the Board of Directors of Pantaloon Retail (India) Limited (PRIL) is as follows:

- 1) Executive Promoter Directors - 3
- 2) Non Executive Director - 1
- 3) Independent Non Executive Directors - 6

2. BOARD MEETINGS

During the financial year 2006-2007, seven Board Meetings were held. These were held on 24/08/2006, 30/09/2006, 27/10/2006, 17/11/2006, 25/01/2007, 27/04/2007 & 30/06/2007.

Composition of the Board of Directors and their attendance in the Board Meetings held as specified above and committee positions held by them are as follows:

Name of the Director	Category	No. of Board Meetings attended	No. of other Directorships in Public Ltd. Cos.	Attendance in the last AGM held on 17/11/2006	No. of committee positions held including PRIL	
					Chairman	Member
Mr. Kishore Biyani	Executive Promoter	7	13	Yes	-	3
Mr. Gopikishan Biyani	Executive Promoter	6	2	Yes	-	1
Mr. Rakesh Biyani	Executive Promoter	6	1	Yes	-	1
Mr. Shailesh Haribhakti	Independent Non executive	6	13	Yes	5	4
Dr. Darlie Koshy	Independent Non executive	6	1	Yes	-	2
Mr. S. Doreswamy	Independent Non executive	7	7	Yes	Nil	4
Mrs. Anju Poddar	Independent Non executive	5	4	Yes	Nil	Nil
Mrs. Bala Deshpande	Independent Non executive	3	13	No	1	3
Mr. Ved Prakash Arya	Non Executive *	7	1	Yes	Nil	Nil
Mr. Anil Harish	Independent Non executive	6	15	Yes	6	3

* Mr. Ved Prakash Arya was Executive Director till 31st March 2007.

3. AUDIT COMMITTEE

The Audit Committee of the Board of Directors was formed in 2000 and the Committee comprises of three members. The functions of the Committee are as specified in clause 49 of the Listing Agreement entered into with Stock Exchanges in which the Company's shares are listed.

A total of five audit committee meetings (on 24/08/2006, 30/09/2006, 27/10/2006, 25/01/2007, 27/04/2007) were held in the financial year July 2006- 07.

Name of the Member	Designation	No. of meetings attended
Mr. Shailesh Haribhakti	Chairman	5
Mr. S. Doreswamy	Member	5
Dr. Darlie Koshy	Member	5

4. REMUNERATION COMMITTEE

The Remuneration Committee of the Company consists of the following members and two meetings were held on 30/09/2006 & 25/01/2007 attended by all members except Mrs. Bala Deshpande.

The Directors on this Committee are :

Mr. S. Doreswamy

Dr. Darlie Koshy

Mrs. Bala Deshpande

Mr. Anil Harish

The details of remuneration paid (including commission due as on 30/06/2007 but not paid) to the Directors for the year ended on 30th June 2007 are as follows:

Name of the Director	Salary & Perquisites (Rs.)	Sitting Fees (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Kishore Biyani	15672000	NA	10000000	25672000
Mr. Gopikishan Biyani	5171200	NA	NA	5171200
Mr. Rakesh Biyani	11171200	NA	5000000	16171200
Mr. Shailesh Haribhakti	NA	244000	300000	544000
Mr. S. Doreswamy	NA	316000	300000	616000
Dr. Darlie Koshy	NA	260000	300000	560000
Mrs. Anju Poddar	NA	100000	300000	130000
Mr. Anil Harish	NA	140000	300000	440000
Mrs. Bala Deshpande	NA	NA	NA	NA
Mr. Ved Prakash Arya	13353403	20000	NA	13373403

5. INVESTORS GRIEVANCE COMMITTEE

The Investors Grievance Committee was constituted by the Board in 1999 to redress any grievances of the Investors. A total of four meetings (on 30/09/2006, 27/10/2006, 25/01/2007 and 27/04/2007) of the Investors Grievance Committee were held in the financial year July 2006- June 2007. The composition of the Committee and the number of meetings attended by the members are as follows :

Name	Designation	No. of Meetings attended
Mr. S. Doreswamy	Chairman	4
Mr. Gopikishan Biyani	Member	4
Mr. Rakesh Biyani	Member	4

A total of 277 complaints were received during the year. All these complaints have been resolved to the satisfaction of complainants.

6. COMMITTEE OF DIRECTORS

The Board of Directors have constituted a Committee of Directors and delegated powers to transact certain regular business of the company. A total of 14 meetings were held during the period under review.

7. SHARE TRANSFER COMMITTEE

The Share Transfer Committee consists of 3 members. The Committee meets on a regular basis to approve transfer of shares, transmission of shares, splitting, consolidation and rematerialisation of shares. The Shares in physical form sent for transfer in physical form are processed and registered by our registrar & transfer agent (Intime Spectrum Registry Limited) within 30 days of receipt of documents, if found in order. A total of 46 meetings were held during the year in which 60578 equity shares were transferred.

8. GENERAL BODY MEETINGS

The details of the Annual General Meetings held during the last three years are as follows:

YEAR	NO OF AGM	DAY, DATE & TIME OF AGM	VENUE
2005-2006	19	17 th November 2006 at 10.30 a.m.	Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai – 400 021
2004-2005	18	22 nd November 2005 at 10.30 a.m.	Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai – 400 021
2003-2004	17	15 th December 2004 at 11.00 a.m.	Knowledge House, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai – 400 060

Special Resolutions passed in the previous three Annual general Meetings are as follows:

AGM	AGM date	Special Resolutions passed through show of hands
19	17/11/2006	Sub-division of face value equity shares of the Company from Rs.10/- per share to the face value of Rs.2/- per share;
18	22/11/2005	a) Re-appointment of Mr. Kishore Biyani as Managing Director for a further period of 5 years w.e.f. 1 st April 2005; b) Re-appointment of Mr. Gopikishan Biyani as Wholtime Director for a further period of 5 years w.e.f. 1 st April 2005; c) Revision of remuneration of Mr. Ved Prakash Arya, Director – Operations & Chief Operating Officer from Rs.57.34 lacs to Rs.157.92 lacs; d) Alteration in article 61 of the Articles of Association relating to the minimum and maximum no. of directors;
17	15/12/2004	a) Appointment of Mr. Ved Prakash Arya as Director – Operations & chief operating officer for a period of three years and reappointment for a further period of 2 years as may be decided by the Board of Directors of the Company; b) Purchase or acquisition of equity shares of the Company by Foreign Institutional Investors under portfolio investment scheme under FEMA upto 40% of the paid up equity share capital of the Company; c) Alteration in the Main object clause of the Company for carrying on whole gamut of retail activities;

Extraordinary General Meeting

An Extraordinary general Meeting of the Company was held on 22nd September 2006 and the following special resolutions were passed:

- Issue of shares of upto Rs. 260 crores through preferential issue, placement to Qualified Institutional Buyers , Rights Issue or a combination thereof
- Issue of warrants of upto Rs. 198.24 crores to promoter group convertible into equity shares within 18 months from the date of issue of warrants.

There were no resolutions passed through postal ballot during the year.

9. MEANS OF COMMUNICATION:

Financial Results

The Results of the Company are furnished to the Stock Exchanges on a periodic basis (quarterly, half yearly and annually) after the approval of the Board of Directors

The results are normally published in "The Free Press Journal"- English Daily and "Nav Sakthi" - Marathi Newspaper within 48 hours after the approval by the Board. The results are also published in "The Economic Times".

The details of the financial results and shareholding pattern are hosted on the Company's website: www.pantaloon.com. All other official news and press releases are displayed on the same website.

10. INFORMATION TO SHAREHOLDERS

10.1 Date, time and Venue of the 20th Annual General Meeting:

Thursday, 15th November 2007 at 10.30 a.m. at Y. B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai – 400 021

10.2 Date of Book Closure

Friday, 9th November 2007 to Thursday, 15th November 2007 (both days inclusive)

10.3 Dividend

The Board of Directors have recommended a dividend of 25% of the paid up equity capital of the Company. Dividend, if approved at the ensuing Annual General Meeting will be paid to those shareholders whose names appear in the Register of Members as on Friday, 9th November 2007.

10.4 Registered office:

"Knowledge House", Shyam Nagar, Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai – 400 060

10.5 Listing in Stock Exchanges

The Equity Shares of the Company are listed in the following Stock Exchanges:

Bombay Stock Exchange Limited

National Stock Exchange of India Limited

The Delhi Stock Exchange Association Limited

Company has made an application for voluntary delisting from The Delhi Stock Exchange Association Limited and complied with all formalities required by the exchange in this regard.

10.6 Stock Code

Bombay Stock Exchange Limited – 523574

The National Stock Exchange of India Limited – PANTALOONR, series-EQ BE

10.7 Listing Fees

Listing Fees as prescribed has been paid fully to all the Stock Exchanges where the shares of the Company are listed

10.8 Stock Performance

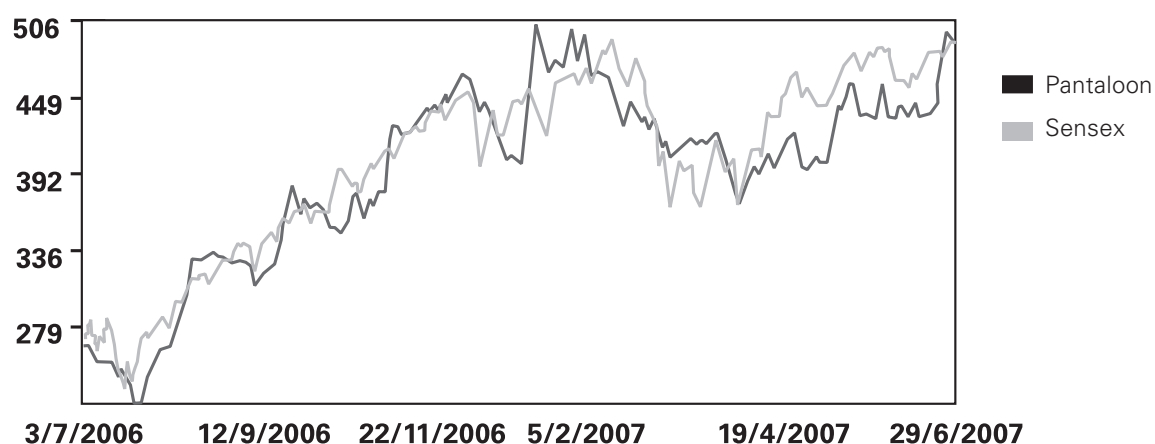
The performance of the stock in the Bombay Stock Exchange Limited & National Stock Exchange of India Limited for the period from 1st July 2006 to 30th June 2007 was as follows:

Month	Bombay Stock Exchange Limited(BSE)			National Stock Exchange of India Limited (NSE)		
	High	Low	Volume	High	Low	Volume
July	1382.00	1080.10	110878	1379.70	1091.00	129353
August	1950.00	1238.00	85235	1720.00	1235.00	172514
September	1960.00	1525.00	270700	1965.00	1520.00	288374
October	1947.00	1720.00	225765	1949.90	1651.50	244232
November	2309.95	1860.00	327845	2304.00	1860.00	479109
December*	2378.00	394.00	864621	2376.00	395.00	1362493
January	526.70	407.05	1343464	527.80	400.00	3125468

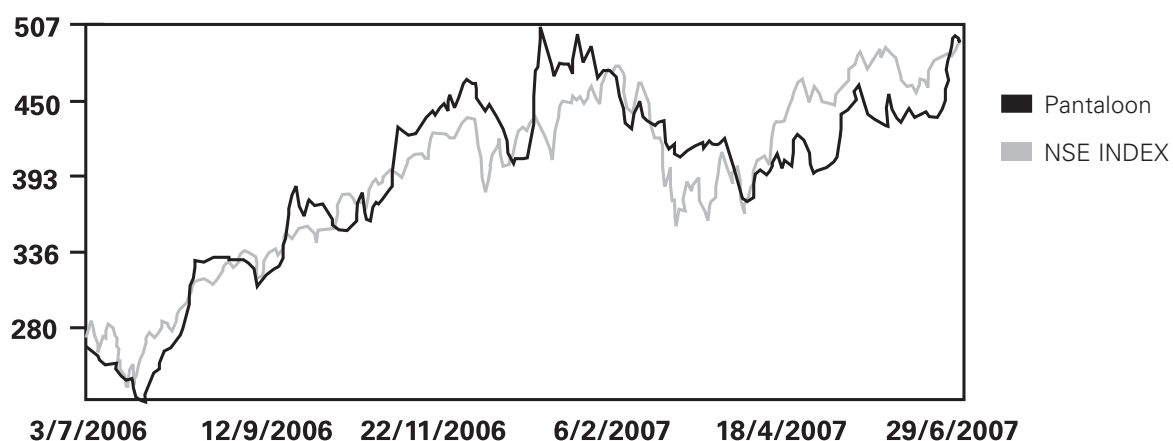
Month	Bombay Stock Exchange Limited (BSE)			National Stock Exchange of India Limited (NSE)		
	High	Low	Volume	High	Low	Volume
February	486.70	405.00	952717	487.00	400.00	595760
March	430.00	385.00	659990	442.00	385.00	1080831
April	435.00	365.00	763752	434.65	368.00	989217
May	474.00	393.00	1093012	470.90	391.10	2750983
June	511.50	423.50	1948162	523.90	426.30	4643310

* The face value of the equity shares of the Company was sub divided from Rs.10/- per share to Rs.2/- per share w.e.f. 19th December 2006.

Exchange : BSE Start Date : 1-7-2006 End Date : 30-6-2007



Exchange : NSE Start Date : 1-7-2006 End Date : 30-6-2007



10.9 Dematerialisation of shares

The share of your Company is under compulsory Demat trading. A total of 145107305 equity shares aggregating to 98.388% of the total shares of the Company are in dematerialised form as on 30th June 2007.

10.10 Share Transfer Agents:

Intime Spectrum Registry Limited
 C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (West),
 Mumbai – 400 078
 Telephone No. : 022- 25963838
 Fax No. : 022 – 25946969
 email : maheshwari.patil@intimespectrum.com

10.11 Distribution of Shareholding as on 30th June 2007

No. of Shares	No. of shareholders	%	Amount(Rs.)	%
1-500	20454	96.67	9744410	3.33
501-1000	239	1.13	1763418	0.60
1001-5000	235	1.11	5248022	1.79
5001-10000	46	0.22	3500130	1.19
10001-50000	123	0.58	43068736	14.67
50001-100000	31	0.15	41042084	13.98
Above 100000	31	0.15	189135930	64.44
Total	21159	100.00	293502730	100.00

10.12 Categories of Shareholders as on 30th June 2007

Category	No. of Shares	% to Total Shares
Promoters & their Relatives	65536930	44.66
Mutual Funds	14504910	9.88
Banks, Financial Institutions	148025	0.10
Insurance Companies	2605014	1.78
Foreign Institutional Investors	37957759	25.87
Non Resident Indians	332647	0.23
Indian Companies	9256481	6.31
Indian Public	16032784	10.92
Clearing Members	376815	0.25
Total	146751365	100.00

10.13 Financials release dates for 2007-08

Quarter	Release Date (tentative & subject to change)
1st Quarter ending 30th September	Fourth week of October 2007
2nd Quarter ending 31st December	Third week of January 2008
3rd Quarter ending 31st March	Third week of April 2008
4th Quarter ending 30th June	Third week of July 2008

10.14 Internet access: www.pantaloon.com

The website of the Company contains all relevant information about the pantaloons family. The Annual Reports, Shareholding pattern, unaudited quarterly results and all other material information are hosted in this site.

10.15 Plant Locations

G-6, MIDC, Tarapur, Dist. Thane.

11 DISCLOSURES

- a) There were no materially significant related party transactions with the Promoters, Directors etc. that may have potential conflict with the interests of the Company at large.
- b) There were no non compliance by the Company, penalties, strictures imposed on the Company by Stock exchange or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
- c) There was no pecuniary relationship or transactions of Non-executive Directors vis-a-vis the Company.
- d) The Company has complied with all mandatory requirements and adopted non mandatory requirements as mentioned hereunder.

Non-mandatory requirements:

1. The Board: The Company does not have the position of Chairman. No Independent director has been appointed for the period exceeding, in the aggregate, a period of nine years, on the Board of the Company.
2. Remuneration Committee: Details regarding Remuneration Committee has already been dealt under para 4 of this Report.
3. Shareholders' Rights: Quarterly and half yearly financial results of the Company are furnished to the Stock Exchanges and are also published in the news papers and website of the Company and hence, half yearly results were not separately sent to shareholders.
4. Audit qualifications: There are no audit qualifications in the financial statement for the year 2006-07. Standard practices and procedures are in place to ensure unqualified financial statements.
5. Training to Board Members: No training has been provided to the Board Members as on the date of this Report.
6. Mechanism for evaluating Non-executive Board Members: The Company is working on the mechanism and will be adopted in due course.
7. Whistle Blower Policy: The Company has adopted the code of conduct for Directors and Senior Management. Board has considered and deliberated on the whistle blower policy of the Company. The same would be implemented shortly.

AUDITORS REPORT ON CORPORATE GOVERNANCE

To
The shareholders of
Pantaloon Retail (India) Limited

We have examined the compliance of conditions of Corporate Governance by Pantaloon Retail (India) Limited for the year ended on June 30, 2007 as stipulated by Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the provisions relating to Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given us, we certify that the Company has complied in all material aspects with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month except where disputed or sub-judice, as per the records maintained by Company's registrar and transfer agents and reviewed by the Investors Grievance Committee of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For NGS & Co.
Chartered Accountants

Place : Mumbai
Dated : 26th September, 2007

Navin T. Gupta
Partner
Membership No. : 40334

Declaration on compliance of Code of Conduct

I hereby confirm that:

Board members and Senior Management of the Company have affirmed compliance of the Code of Conduct laid down by the Board for the financial year July 2006-June 2007.

Place : Mumbai
Dated : 26th September, 2007

Kishore Biyani
Managing Director

Ratios

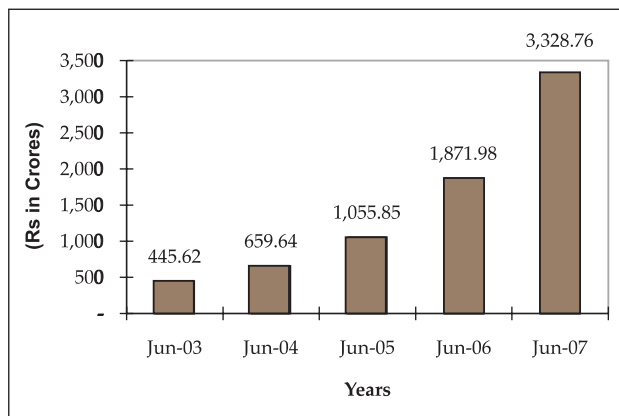
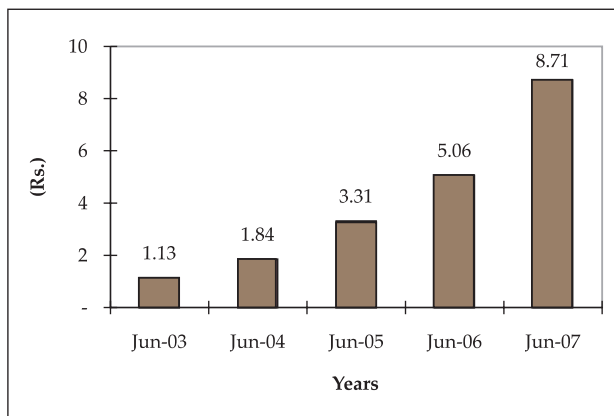
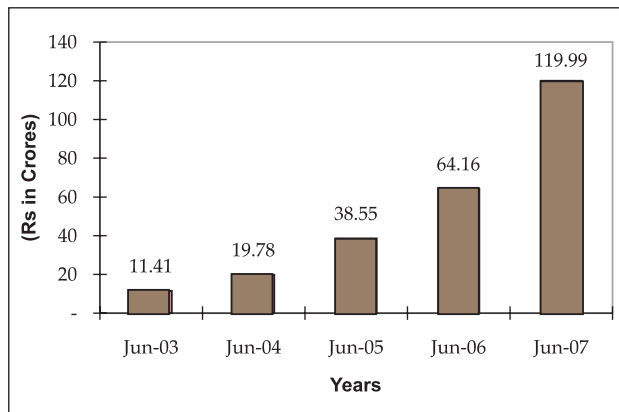
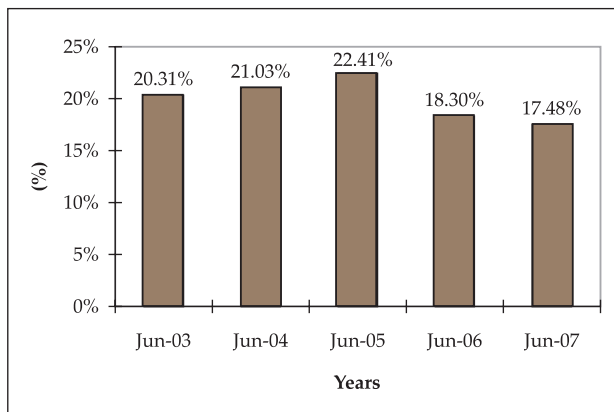
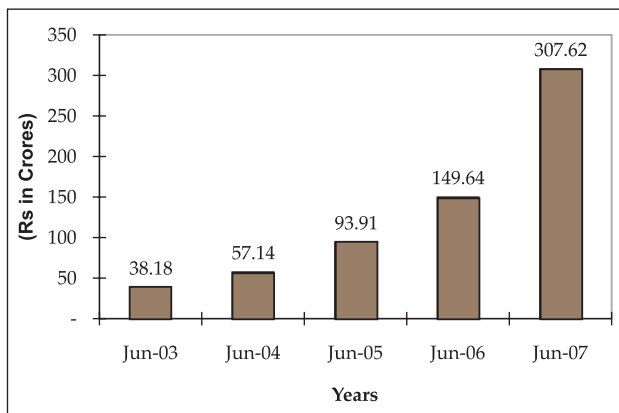
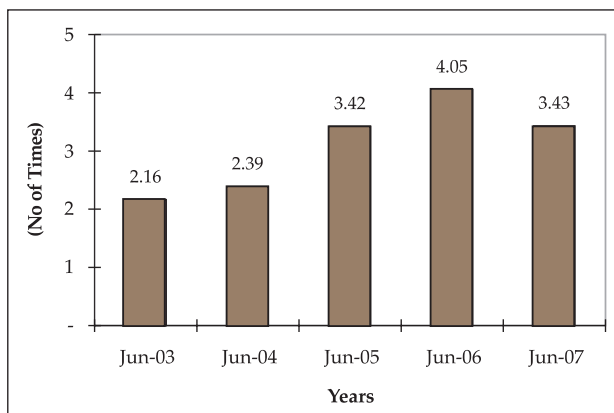
Finanacial Performance	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07
Cost of goods sold / Net Sales	68.23%	66.54%	66.52%	66.53%	68.26%
Manpower costs / Total Income	4.29%	4.17%	4.80%	5.99%	6.19%
Advertising and selling cost / Total Income	2.65%	2.84%	3.08%	2.72%	2.80%
Interest/Total Income	3.97%	3.64%	2.60%	1.97%	2.70%
PBDIT/Interest (Debt-Service Ratio)	2.16	2.39	3.42	4.05	3.43

Profitability	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07
PBDIT/Total Income	8.57%	8.66%	8.89%	7.99%	9.24%
PBDT/Total Income	4.60%	5.03%	6.29%	6.02%	6.54%
Net Profit/Total Income	2.56%	3.00%	3.65%	3.43%	3.60%
RONW (Average Networth)	18.92%	24.47%	24.42%	17.15%	14.82%
ROCE (Average Capital employed)	20.31%	21.03%	22.41%	18.30%	17.48%

Balance Sheet	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07
Debt-equity ratio	1.53	1.29	0.89	0.50	0.79
Debtors turnover(days)	18	10	4	3	7
Inventory turnover(days)	93	86	94	98	99
Current Ratio	1.51	1.65	1.73	1.44	2.19
Quick Ratio	0.48	0.52	0.55	0.58	1.08
Asset turnover (Total Income/total assets)	2.07	1.96	2.03	1.62	1.96

Key Financial Parameters (Rs in Crores)	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07
Total Revenue	445.62	659.64	1,055.85	1,871.98	3,328.76
Profit before Interest Tax and Depreciation	38.18	57.14	93.91	149.64	307.62
Profit after Tax	11.41	19.78	38.55	64.16	119.99
Cash Profit	18.89	31.68	58.90	99.85	184.78

Per share data	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07
Basic Earnings (less extraordinary income)	1.13	1.84	3.31	5.06	8.71
Basic Cash Earnings (Rs.)	1.76	2.66	4.45	6.70	11.39
Dividend (Rs.)	0.20	0.30	0.50	0.50	0.50
Book value (Rs.)	7.39	9.87	20.12	39.20	74.42

Growth in Total Income (Rs. in Crores)**Earnings per share (Rs.)****Growth in Profit after Tax (Rs. in Crores)****ROCE (%)****Growth in PBDIT (Rs. in Crores)****Debt-Service Ratio (X)**

10-YEAR FINANCIAL SUMMARY-BALANCE SHEET

(Rs. in Crores)

BALANCE SHEET AS AT :	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07
SOURCES OF FUNDS										
Equity Share capital	8.09	9.26	12.52	13.32	17.32	18.18	19.14	22.00	26.88	29.35
Share application money	2.21	4.00	-	-	-	-	-	-	-	0.00
Reserves & surplus	7.52	10.48	13.07	22.75	36.68	49.50	75.75	196.53	500.03	1,062.82
Warrant Application Money	-	-	-	-	-	-	-	3.00	-	-
Shareholder's Fund	17.82	23.75	25.59	36.07	54.00	67.68	94.89	221.53	526.91	1,092.17
Deferred Tax Liability	-	-	-	-	1.79	2.92	6.03	13.04	27.92	55.84
Secured loans	25.99	26.93	31.61	68.22	109.53	141.32	214.76	256.17	428.10	951.93
Unsecured loans	0.36	1.84	2.73	1.42	0.30	4.23	21.36	30.04	173.29	347.65
Total loans	26.35	28.77	34.34	69.64	109.83	145.55	236.12	286.21	601.39	1,299.58
Total liabilities	44.17	52.52	59.93	105.71	165.62	216.15	337.04	520.78	1,156.21	2,447.60

APPLICATION OF FUNDS										
Gross block	9.77	13.20	21.24	41.24	77.72	122.98	184.71	251.10	366.01	767.07
Depreciation	1.74	2.54	3.61	5.22	9.43	15.67	24.32	37.36	56.58	92.47
Net block	8.03	10.66	17.63	36.01	68.29	107.31	160.39	213.74	309.43	674.60
Capital WIP	4.32	8.34	9.85	7.86	6.28	3.32	14.44	15.79	86.06	131.13
NB + CWIP	12.35	19.00	27.48	43.87	74.57	110.63	174.83	229.53	395.49	805.73
Investment	0.40	0.08	0.07	5.07	5.07	5.26	5.26	31.92	161.67	252.01

Current Assets										
Inventories	26.13	28.40	37.19	56.33	87.41	114.38	157.60	275.93	507.02	885.96
Debtors	6.74	10.87	10.05	12.98	17.69	22.32	17.58	12.31	17.03	65.17
Cash & bank balance	2.19	2.20	2.28	2.38	4.03	8.07	13.85	21.50	21.78	162.97
Loans & advances	3.35	3.27	6.01	11.10	23.33	21.43	40.95	93.68	297.57	633.85
Other Current Assets	-	-	-	-	-	-	-	0.46	1.09	1.50
Total current assets	38.41	44.74	55.53	82.78	132.46	166.21	229.98	403.87	844.49	1,749.45

Current Liabilities										
Creditors	7.71	13.12	12.41	13.75	23.82	17.64	13.58	78.69	136.08	223.72
Other current liabilities	7.15	7.15	9.66	12.04	22.05	44.44	52.91	48.39	93.73	120.15
Provisions	0.19	0.39	1.96	0.98	1.23	4.40	6.95	17.74	15.62	15.71
Total current liabilities	15.05	20.66	24.03	26.77	47.10	66.48	73.44	144.82	245.44	359.58
Net Current Assets	23.36	24.08	31.50	56.01	85.36	99.73	156.54	259.05	599.05	1,389.86
Misc. Expenditure	8.06	9.36	0.89	0.76	0.63	0.53	0.40	0.28	-	-
Total Assets	44.17	52.52	59.93	105.71	165.62	216.16	337.04	520.78	1,156.21	2,447.60

10-YEAR FINANCIAL SUMMARY-PROFIT & LOSS ACCOUNT

(Rs. in Crores)

Profit & Loss Account	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07
Sales & Operating Income	90.10	105.24	137.28	180.58	285.29	444.83	658.31	1,052.80	1,868.97	3,236.74
Other Income	1.62	0.73	0.66	0.44	0.67	0.79	1.33	3.05	3.00	92.03
Total Income	91.72	105.97	137.94	181.02	285.96	445.62	659.64	1,055.85	1,871.97	3,328.77
Cost of goods cons. & sold	57.52	73.32	97.19	117.98	186.11	303.50	438.01	700.31	1,243.43	2,209.48
Contract work expenses	9.42	6.35	5.17	8.28	6.51	6.77	6.97	15.27	20.66	14.62
Packing materials	0.87	0.69	0.76	1.24	2.11	3.10	5.64	12.44	19.22	27.80
Power	0.38	0.58	1.03	2.02	5.34	7.94	12.08	21.95	37.41	61.51
Excise	-	-	-	0.43	4.58	3.40	3.36	0.28	-	-
Rent	0.65	1.18	3.08	6.18	10.03	15.71	27.59	47.97	113.46	207.02
Personnel Cost	1.91	2.57	4.18	6.81	13.59	19.13	27.53	50.65	112.07	206.09
Advertisement expenses	2.83	3.15	2.98	6.05	8.77	11.83	18.75	32.56	50.96	93.14
Transportation expenses	0.91	0.73	1.08	1.73	2.72	3.43	5.95	12.66	19.08	35.57
Sales Tax	-	1.47	1.85	3.55	5.26	7.75	14.91	-	-	-
Misc. Expenditure	8.91	7.16	9.22	12.00	17.96	24.88	41.72	67.84	106.03	165.90
Total Cost	83.40	97.21	126.53	166.27	262.98	407.44	602.50	961.94	1,722.34	3,021.14
PBDIT	8.32	8.76	11.41	14.74	22.98	38.18	57.14	93.91	149.64	307.63
Interest	5.29	5.51	5.07	6.22	11.24	17.67	23.94	27.46	36.92	89.76
PBDT	3.03	3.26	6.33	8.52	11.74	20.51	33.20	66.46	112.72	217.88
Depreciation	0.85	0.83	1.07	1.63	4.22	6.35	8.79	13.33	20.82	36.86
PBT	2.18	2.43	5.27	6.89	7.53	14.16	24.41	53.12	91.90	181.01
Extra-ordinary Items	-	(0.02)	(0.00)	0.04	0.01	0.78	0.07	0.03	0.07	0.06
Profit after EOI	2.18	2.45	5.27	6.85	7.52	13.38	24.33	53.09	91.82	180.95
Current Tax	(0.04)	0.10	0.35	0.45	0.39	0.85	1.45	7.28	11.04	30.71
Deferred Tax	-	-	-	-	0.10	1.13	3.11	7.01	14.87	27.93
Fringe Benefit Tax	-	-	-	-	-	-	-	0.24	1.75	2.32
PAT	2.22	2.35	4.92	6.40	7.03	11.41	19.78	38.55	64.16	119.99

Auditors' Report

To

The Members of Pantaloon Retail (India) Limited

1. We have audited the attached Balance Sheet of Pantaloon Retail (India) Limited as at June 30, 2007 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.
 - v. On the basis of the written representations received from the directors, as on June 30, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2007 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 read together with significant accounting policies and other notes to accounts of Schedule 19 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 June 30, 2007;
 - 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.

For NGS & CO.,
Chartered Accountants

Navin T. Gupta
Partner
Membership No.: 40334

Place : Mumbai
Dated : 26th September, 2007

Annexure referred to in paragraph 3 of our report of even date

Re: Pantaloon Retail (India) Limited

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has physically verified certain assets during the period in accordance with a program of verification, which in our opinion provides for physical verification of the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposals during the year.
2. a) The Company has conducted physical verification of inventory at regular intervals during the year.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and its nature of business.
- c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. The Company has not granted or taken any loan secured/unsecured to/from Companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (iii) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing major weaknesses in such internal controls.
5. In respect of particulars of contracts or arrangements and transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
 - a) To the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements that needed to be entered into the register have been so entered.
 - b) According to the information and explanations given to us, these contracts or arrangements have been made at prices which are reasonable having regards to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from public. We have been informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other court or tribunal in this regard.
7. In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
8. The Central Government has not prescribed maintenance of cost rewards under Section 209 (1) (d) of the Companies Act, 1956 for any products of the Company.
9. a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities 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 applicable to it. According to the information and explanations given to us, no undisputed statutory dues as above were outstanding as at 30th June 2007 for a period of more than 6 months from the date, they became payable.
- b) According to the information and explanation given to us, the dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty, Cess, Service Tax and other statutory dues which have not been deposited on account of any dispute and the forum where the dispute is pending are as under:

Sr. No	Name of Statute	Nature of Dues	Forum where the dispute is pending	Amount (Rs. in crores)
1.	The Indian Stamp Act, 1899	Stamp Duty	Collector of Stamps, Kanpur	24.59

10. The Company does not have accumulated losses. The Company has not ensured cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. 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.
12. According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. The Company has maintained proper records of transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments and timely entries have been made therein. All shares and other investments have been held by the Company in its own name.
15. In our opinion and according to the explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interests of the Company.

16. In our opinion and according to the information and explanations given to us, the term loans obtained during the year have been prima facie applied for the purpose for which they were taken.
17. According to information and explanations given to us and on overall examination of the balance sheet of the Company, funds raised on short term basis have, prima-facie, not been used for long term investment.
18. According to the information and explanations given to us, the Company has made preferential allotments of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 and the price at which shares have been issued is not prejudicial to the interests of the Company.
19. On the basis of records made available to us, the Company has created securities in respect of Debentures issued / outstanding during the year.
20. The Company has not raised any money by way of public issues during the year.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company was noticed or reported during the year, although there were some instances of fraud on the Company noticed by the Management, the amounts whereof were not material in the context of the size of the Company and the nature of its business and the amounts were subsequently recovered/adequately provided for.

For NGS & Co.

Chartered Accountants

(Navin T. Gupta)

Partner

Membership No. 40334

Place : Mumbai

Dated : 26th September, 2007

BALANCE SHEET AS AT 30TH JUNE, 2007

PARTICULARS	SCH. No.	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
I SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
Share Capital	1	29.35	26.88
Share application money received		0.01	-
Reserves & Surplus	2	1,062.82	500.02
		1,092.18	526.90
2 LOAN FUNDS			
Secured Loans	3	951.93	428.10
Unsecured Loans	4	347.65	173.29
		1,299.58	601.39
3 DEFERRED TAX LIABILITY (NET)		55.84	27.92
		2,447.60	1,156.21
II APPLICATION OF FUNDS :			
1 FIXED ASSETS			
Gross Block	5	767.07	366.01
Less : Depreciation		92.47	56.58
Net Block		674.60	309.43
Capital work-in-progress(including advances)		131.13	86.06
2 INVESTMENTS	6	252.01	161.67
3 CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	885.96	507.02
Sundry Debtors	8	65.17	17.03
Cash & Bank Balances	9	162.97	21.78
Loans & Advances	10	633.85	297.57
Other Current Assets		1.50	1.09
		1,749.45	844.49
LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	343.87	229.82
Provisions	12	15.71	15.62
		359.58	245.44
NET CURRENT ASSETS		1,389.86	599.05
		2,447.60	1,156.21

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS 19

The Schedules referred to above 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

Place : Mumbai
Date: 26th September, 2007

For and on behalf of Board of Directors

Kishore Biyani
Managing Director

Shailesh Haribhakti
Director

Anil Harish
Director

Rakesh Biyani
Wholetime Director

S. Doreswamy
Director

Bala Deshpande
Director

Gopikishan Biyani
Wholetime Director

Dr. Darlie O. Koshy
Director

K. K. Rathi
Chief Financial Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007

PARTICULARS	SCH. No.	2006 - 2007 (Rs. in Crores)	2005 - 2006 (Rs. in Crores)
INCOME			
Sales & Operating Income	13	3,236.74	1,868.97
Other Income	14	92.03	3.00
		<u>3,328.77</u>	<u>1,871.97</u>
EXPENDITURE			
Cost of goods consumed & sold	15	2,209.48	1,243.44
Personnel cost	16	206.09	112.07
Manufacturing & other expenses	17	605.57	366.84
Finance Charges	18	89.76	36.92
Depreciation	5	36.86	20.82
		<u>3,147.76</u>	<u>1,780.08</u>
PROFIT BEFORE TAXATION		181.01	91.90
Less: Earlier year's Income Tax		0.06	0.07
Less: Provision for Taxation			
a) Current Tax		30.71	11.04
b) Deferred Tax		27.93	14.87
c) Fringe Benefit Tax		2.32	1.75
		<u>60.96</u>	<u>27.66</u>
PROFIT AFTER TAXATION		119.99	64.16
Add : Balance brought forward		116.58	66.51
AVAILABLE FOR APPROPRIATION		<u>236.58</u>	<u>130.66</u>
Proposed Dividend		7.54	6.72
Tax on Proposed Dividend		1.28	0.94
Transfer to General Reserve		12.00	6.42
Balance carried to Balance Sheet		215.76	116.58
		<u>236.58</u>	<u>130.66</u>
Earnings Per Share in Rs. (Face value Rs.2)			
Basic		8.71	5.06
Diluted		8.71	5.06

Refer Note No.19 of Schedule 19

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS 19

The Schedules referred to above 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

Place : Mumbai
Date: 26th September, 2007

For and on behalf of Board of Directors

Kishore Biyani
Managing Director

Shailesh Haribhakti
Director

Anil Harish
Director

Rakesh Biyani
Wholetime Director

S. Doreswamy
Director

Bala Deshpande
Director

Gopikishan Biyani
Wholetime Director

Dr. Darlie O. Koshy
Director

K. K. Rathi
Chief Financial Officer

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE, 2007

	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
17,50,00,000 (3,50,00,000) Equity Shares of Rs.2/-(Rs.10/-) each.	35.00	35.00
	<u>35.00</u>	<u>35.00</u>
Issued		
14,67,62,865 (2,68,87,081) Equity Shares of Rs.2/-(Rs.10/-) each fully paid	29.35	26.89
	<u>29.35</u>	<u>26.89</u>
Subscribed & Paid Up		
14,67,51,365 (2,68,84,621) Equity Shares of Rs.2/- (Rs.10/-) each fully paid	29.35	26.88
	<u>29.35</u>	<u>26.88</u>
SCHEDULE 2 : RESERVES & SURPLUS		
Share Premium		
Balance, at beginning of the year	372.12	125.12
Add : Premium received during the year	455.78	249.05
Less : Utilised for share issue expenses	4.15	2.06
	<u>823.75</u>	<u>372.12</u>
General Reserve		
Balance, at beginning of the year	11.31	4.90
Add : Transfer from Profit & Loss Account	12.00	6.42
	<u>23.31</u>	<u>11.31</u>
Surplus in Profit and Loss Account	<u>215.76</u>	<u>116.58</u>
	<u>1,062.82</u>	<u>500.02</u>
SCHEDULE 3 : SECURED LOANS		
(1) Debentures		
8.95% Non Convertible Debenture	100.00	-
10.75% Non Convertible Debenture	100.00	-
(2) Term Loans		
a) Foreign Currency Loans		
- From Banks	1.87	3.71
- From Financial Institutions	-	5.68
b) External Commercial Borrowings	15.10	23.04
c) Rupee Loans		
- From Banks	642.56	228.95
(3) Working Capital Loans From Banks		
Foreign Currency Loans	-	5.79
Rupee Loan	60.81	120.75
Commercial Paper	30.00	40.00
(4) Hire Purchase	1.59	0.18
	<u>951.93</u>	<u>428.10</u>
SCHEDULE 4 : UNSECURED LOANS		
Short Term Loans from Banks	202.64	173.28
Other Loans from Banks	145.00	-
Public Deposits	0.01	0.01
	<u>347.65</u>	<u>173.29</u>

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE, 2007

SCHEDULE 5 : FIXED ASSETS

(Rs in Crores)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.07.2006	Additions	Deductions	As at 30.06.2007	Upto 01.07.2006	Adjustment for the year	Depreciation for Year	Up to 30.06.2007
Land	4.76	0.07	-	4.83	-	-	-	4.83
Leasehold Land	1.17	-	-	1.17	0.09	-	0.02	1.07
Building	43.55	81.15	0.20	124.51	4.67	0.05	2.47	117.41
Plant & Machinery	21.54	6.30	-	27.83	3.42	-	1.22	23.19
Office Equipments	9.72	8.78	0.04	18.45	1.16	0.01	1.09	16.21
Computers & Softwares	52.68	58.76	0.03	111.41	1741	0.00	10.80	83.21
Computers Leased	0.77	-	0.77	-	0.63	0.77	0.14	-
Furniture & Fittings	151.45	154.34	0.25	305.54	19.69	0.01	14.85	270.99
Electrical Installations	65.25	83.11	-	148.36	6.51	-	5.02	11.54
Vehicles	4.90	0.02	0.51	4.42	1.29	0.13	0.44	1.59
Air Conditioner	10.22	10.34	0.01	20.55	1.71	0.00	0.80	2.51
Total	366.01	402.87	1.81	767.07	56.58	0.97	36.86	92.47
Previous Year	251.10	116.75	1.85	366.01	3736	1.60	20.82	56.58

Capital Work-in-progress (Including advances on Capital Account)

131.13 86.06

Note: Deductions for the year includes fluctuations in the rate of foreign exchange (net) of Rs. 0.20 Crores (2006 Addition - 1.19 Crores)

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE, 2007

	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
SCHEDULE 6 : INVESTMENTS		
LONG TERM INVESTMENT IN SHARES		
QUOTED		
5,631 Equity shares of Andhra Bank Limited of Rs. 10/- each fully paid up	0.05	0.05
20,00,000 Equity shares of Galaxy Entertainment Corporation Limited of Rs. 10/- each fully paid up	8.83	8.83
UNQUOTED		
In Subsidiary Companies		
41,09,000(32,00,000) Equity Shares of Pan India Restaurants Limited of Rs. 10/- each fully paid up	10.20	8.00
36,30,000(50,000) Equity Shares of Pantaloon Food Product (India) Limited of Rs. 10/- each fully paid up	3.63	0.05
1,74,53,571(1,75,15,471) Equity Shares of Home Solutions Retail (India) Limited of Rs. 10/- each fully paid up	17.45	17.52
24,62,278(4,22,278) Equity Shares of Foot-Mart Retail India Limited of Rs. 10/- each fully paid up	6.12	1.02
50,000 Equity Shares of Future Logistic Solutions Limited of Rs. 10/- each fully paid up	0.05	0.05
25,20,000 (49,994) Equity Shares of Convergem Retail (India) Limited of Rs. 10/- each fully paid up	2.52	0.05
5,100 Equity Shares of CIG Infrastructure Private Limited of Rs. 10/- each fully paid up	0.01	0.01
3,47,79,999 Equity Shares of Future Capital Holdings Limited (formerly known as KB Infin Private Limited) of Rs. 10/- each fully paid up	59.53	59.53
450,000(50,000) Equity Shares of Future Media (India) Limited of Rs. 10/- each fully paid up	0.45	0.05
1,50,00,000 Equity Shares of Futurebazaar India Limited of Rs.10/- each fully paid up	15.00	-
100,00,000 Equity Shares of Future Brands Limited of Rs. 10/- each fully paid up	10.00	-
50,000 Equity Shares of Future Generali India Life Insurance Company Limited of Rs. 10/- each fully paid up	0.05	-
50,000 Equity Shares of Future Generali India Insurance Company Limited of Rs.10/- each fully paid up	0.05	-
50,000 Equity Shares of Future Knowledge Services Limited of Rs.10/- each fully paid up	0.05	-
1,69,98,000 Equity Shares of Future E-Commerce Infrastructure Limited of Rs. 10/- each fully paid up	17.00	-

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE, 2007

	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
In Joint Venture Companies		
28,40,880 Equity Shares of Planet Retail Holdings Private Limited of Rs. 10/- each fully paid up	14.20	14.20
10,02,000 (2000) Equity Shares of Gupta Infrastructure (India) Private Limited of Rs. 10/- each fully paid up	3.00	-
Nil (24,998) Equity Shares of GJ Future Fashions Limited of Rs. 10/- each fully paid up	-	0.02
48,70,800 Equity Shares of Alpha Future Airport Retail Private Limited of Rs.10/- each fully paid up	16.07	-
1,00,05,000 Equity Shares of Pan India Food Solutions Private Limited of Rs.10/- each fully paid up	10.01	-
16,50,000 Equity Shares of Staples Future Office Products Private Limited of Rs.10/- each fully paid up	13.74	-
1,00,000 Equity Shares of Talwalkars Pantaloon Fitness Private Limited of Rs.100/- each fully paid up	1.00	-
Other Investments		
In Equity Shares		
4,000 Equity shares of Kalyan Janata Sahakari Bank Limited of Rs.25/- each fully paid up	0.01	0.01
Nil (4,000) Equity Shares of The Zorastrian Co.Op.Bank of Rs. 10/- each fully paid up	-	0.01
Nil (67,13,865) Equity Shares of Offbeat Developers Private Limited of Rs. 10/- each fully paid up	-	31.20
9,000 Equity Shares of Sain Marketing Network Private Limited of Rs.10 /- each fully paid up	0.01	-
In Preference Shares		
9,80,000 4% Redeemable Preference Shares of Sain Marketing Network Private Limited of Rs.10 /- each fully paid up	0.98	-
In Other Shares		
5 Shares of Y.A Chunawala Industrial Co-op Society Limited		
In National Saving Certificates	0.01	0.01
Share Application Money Pending Allotment In :		
Convergem Retail (India) Limited	-	2.15
Foot-Mart Retail India Limited	2.02	2.04
Futurebazaar India Limited	-	2.00
Future Generali India Insurance Company Limited	3.00	-
Future Generali India Life Insurance Company Limited	5.00	-
Future Knowledge Services Limited	0.20	-
Future Logistic Solutions Limited	1.18	-
Future Media (India) Limited	9.50	-
Staples Future Office Products Private Limited	0.86	-
GJ Future Fashions Limited	-	0.30

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE, 2007

	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
Gupta Infrastructure (India) Private Limited	2.50	2.00
Home Solutions Retail (India) Limited	3.00	9.00
Pan India Food Solutions Private Limited	4.00	0.19
Pan India Restaurants Limited	-	0.40
Pantaloon Food Product (India) Limited	-	2.58
Sain Marketing Network Private Limited	6.04	-
Suhani Mall Management Company Private Limited	2.00	0.40
Whole Wealth Limited	2.69	-
	252.01	161.67
Market value of Quoted Investments is Rs.27.44 Crores (Rs. 38.93 Crores)		
Cost of unquoted Investments is Rs.243.12 Crores (Rs. 152.78 Crores)		
SCHEDULE 7 : INVENTORIES		
(As certified and valued by the Management)		
Packing Materials, Branding Material and Stores & Spares	17.02	5.45
Raw Material	18.54	13.09
Stitching Materials	1.05	1.26
Semi finished goods	11.46	6.79
Finished Goods	837.89	480.43
	885.96	507.02
SCHEDULE 8 : SUNDRY DEBTORS		
(Unsecured)		
(a) Debts due for more than six months		
Considered Good	8.83	3.36
Considered Doubtful	0.50	0.64
	9.33	4.00
Less : Provision for Doubtful Debts	0.50	0.64
	8.83	3.36
(b) Other Debts : Considered Good	56.34	13.67
	65.17	17.03
SCHEDULE 9 : CASH & BANK BALANCES		
Cash in Hand (as certified)	8.93	4.05
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	41.87	13.23
in Fixed Deposit Account	111.96	4.33
Dividend Account	0.21	0.17
	162.97	21.78
SCHEDULE 10: LOANS & ADVANCES		
(Unsecured & Considered good)		
Inter Corporate Deposits	28.78	22.07
Advances Recoverable in cash or in kind or for value to be received		
- Subsidiaries	18.02	1.54
- Others	217.04	76.32
Export Benefits Receivables	0.13	0.08
Deposits	369.88	197.56
	633.85	297.57

SCHEDULES TO BALANCE SHEET AS AT 30TH JUNE, 2007

	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
SCHEDULE 11: LIABILITIES		
Acceptances	68.45	58.45
Sundry Creditors	223.72	136.08
Sundry Creditors due to -Subsidiary	9.69	7.46
Advances / Deposit from Customers	38.26	18.27
Deposit from Subsidiaries	1.90	8.50
Interest accrued but not due	1.08	0.51
Cheques overdrawn	0.56	0.37
Unclaimed Dividends	0.21	0.17
	<u>343.87</u>	<u>229.82</u>
SCHEDULE 12: PROVISIONS		
Taxation (net of advance payment/ tax deductions)	1.51	4.89
Proposed Dividend	7.54	6.72
Provision for Dividend Tax	1.28	0.94
Provision for Leave Encashment / Gratuity	5.28	3.00
Others	0.10	0.07
	<u>15.71</u>	<u>15.62</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE, 2007

	2006 - 2007 (Rs. in Crores)	2005 - 2006 (Rs. in Crores)
SCHEDULE 13: SALES & OPERATING INCOME		
Sales	3,187.49	1,851.49
Less : VAT / Sales Tax	156.05	92.99
	3,031.44	1,758.50
Other Operating Income *	205.30	110.47
* (TDS Rs.8.85 Crores) (2006 :-Rs.3.60 Crores)		
	<u>3,236.74</u>	<u>1,868.97</u>
SCHEDULE 14: OTHER INCOME		
Dividend	0.97	0.00
Export Benefits	0.68	0.10
Profit on Sale of Investments	88.88	1.02
Profit on Sale of Fixed Assets (Net)	0.11	-
Cash Discount	0.38	0.82
Insurance Claim	0.04	0.08
Sundry Balances Written back (Net)	-	0.07
Miscellaneous Income	0.97	0.91
	<u>92.03</u>	<u>3.00</u>
SCHEDULE 15: COST OF GOODS CONSUMED & SOLD		
Opening Stock		
Raw Materials	13.10	19.96
Semi finished goods	6.79	6.11
Finished goods & Accessories	480.43	246.96
Stitching materials	1.26	0.88
	<u>501.58</u>	<u>273.91</u>
Add : Purchase		
Raw Material	278.48	140.62
Finished goods & Accessories	2,293.93	1,324.89
Stitching materials	5.17	7.65
	<u>2,577.58</u>	<u>1,473.16</u>
Less : Closing Stock		
Raw Materials	18.55	13.09
Semi finished goods	11.46	6.79
Finished goods & Accessories	837.88	480.43
Stitching materials	1.05	1.26
	<u>868.94</u>	<u>501.57</u>
Less : Insurance Claim	0.74	2.06
(See Note No.26 of Schedule 19)		
	<u>2,209.48</u>	<u>1,243.44</u>
SCHEDULE 16: PERSONNEL COST		
Salaries, Wages & Bonus	183.64	99.76
Welfare expenses	7.41	6.09
Contribution to Provident & Other Funds	10.68	5.62
Gratuity and Leave encashment	4.36	0.60
	<u>206.09</u>	<u>112.07</u>

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE, 2007

	2006 - 2007 (Rs. in Crores)	2005 - 2006 (Rs. in Crores)
SCHEDULE 17: MANUFACTURING & OTHER EXPENSES		
Labour Charges	14.62	20.66
Packing Material	27.80	19.22
Stores & Spares Consumed	0.32	0.25
Branding Material Consumed	1.93	3.18
Printing & Stationery	7.92	5.84
Power & Fuel	61.51	37.41
Repairs & Maintenance		
Building	1.29	1.29
Plant & Machinery	0.76	0.56
Others	7.25	6.15
Rent including lease rentals	207.02	113.46
Mall Maintenance Charges	59.22	33.61
Rates & Taxes	2.65	2.18
Donation	0.28	0.53
Credit card charges	13.97	8.46
Insurance	4.56	2.12
Legal & Professional Charges	10.32	6.54
Communication Expenses	10.40	6.97
Travelling & Conveyance Expenses	23.39	12.32
Auditors' Remuneration	0.29	0.21
Transportation & Handling charges	35.57	19.08
Commission	6.96	7.03
Advertisement & Sales Promotion	93.14	50.96
Hire Charges	1.67	1.04
Directors Sitting Fees	0.11	0.11
Directors Commission	1.65	0.65
Loss on Sale of Fixed Assets	-	0.01
Bad debts Written off	0.01	0.06
Royalty	1.26	0.32
Other Expenses	9.70	6.61
	605.57	366.84
SCHEDULE 18 : FINANCE CHARGES		
Interest : on Debentures and Fixed Loans	39.13	11.95
on other loans	39.36	17.36
Bill Discounting Charges	8.11	1.60
Bank Charges	7.66	3.61
	94.26	34.53
Less : Interest Income		
on fixed deposits*	0.65	0.33
on others*	1.39	0.67
Less : Exchange Fluctuation Gain / (Loss)	2.46	(3.40)
	89.76	36.92
* Tax deducted at Source	0.47	0.20

SCHEDULE 19 SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2007

1. SIGNIFICANT ACCOUNTING POLICIES :

1.1 Basis of Accounting :

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

1.2 Fixed Assets and Depreciation :

Fixed assets are stated at cost, less accumulated depreciation . Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

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 employee perquisite- related assets which are depreciated over three years. Depreciation on the amount capitalised on account of foreign exchange fluctuation is provided prospectively over the residual life of the assets.

1.2.1 Leased Fixed Assets

Lease payments under operating lease are recognised as expense as per the tenure of the lease agreements.

1.3 Borrowing Cost:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset up to the date the assets are ready for their intended use or sale. Other expenses are recognized as an expense in the period in which they are incurred.

1.4 Investments :

Long-term investments are stated at cost. Provision for diminution is being made if necessary to recognise a decline, other than temporary in the value thereof. Current Investments are stated at the lower of cost and market / fair value.

1.5 Inventories :

Inventories are valued as follows :

- | | | | |
|----|--|---|---|
| a) | Stores, Spare parts, Packing material, and Branding Material | : | At cost |
| b) | Raw material & Stitching material | : | At cost |
| c) | Finished goods lying at the stores | : | At the retail price less mark up |
| d) | Work in Progress and Finished goods lying in the factory | : | At the lower of cost or net realisable value. |

In case of finished goods, cost includes material cost and direct production overheads.

1.6 Transactions in Foreign Currency :

Foreign currency transactions are accounted at the rates prevailing on the date of transaction. Year-end current assets and liabilities are translated at the exchange rate ruling on the date of the Balance Sheet.

Exchange differences on settlement / conversion are adjusted to :

- (i) Cost of fixed assets, if the foreign currency transaction relates to fixed assets.
- (ii) Profit and Loss Account, in other cases.
- (iii) Wherever forward contracts are entered into, the exchange differences are dealt with in the Profit and Loss Account over the period of the contracts.

1.7 Revenue Recognition :

Sale of Goods are accounted on delivery to customers. Sales is net of returns, discounts and Sales tax/ Value Added Tax. Export sales is accounted as revenue on the basis of Bill of Lading. Interest income is recognised on accrual basis. Dividend income is accounted for when the right to receive is established. Claims are accounted only when there is reasonable certainty of its ultimate collection.

1.8 Miscellaneous Expenditure :

Capital Issue Expenses are adjusted to Share Premium Account and Preliminary expenses are charged to Profit & Loss Account as incurred.

1.9 Retirement Benefits :

- a) Leave Encashment benefit is charged to Profit & Loss Account on the basis of actuarial valuation.
- b) Provision for contribution to the Employees' Gratuity Trust Fund is based on actuarial valuation after taking into account the funds available with Gratuity Trust.
- c) Contribution to Employees' Provident Fund are charged to Profit & Loss Account.

1.10 Taxation :

- a) The deferred tax for timing differences between the book and tax profits for the period is accounted for using the tax rates and laws that have been substantially enacted as on the balance sheet date. Deferred tax assets are recognized 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 realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.
- b) Tax expenses comprise of current tax, deferred tax and fringe benefit tax. The provision for current income-tax is the aggregate of the balance provision for 9 months ended March 31, 2007 and the estimated provision based on the taxable profit of remaining 3 months up to June 30, 2007, the actual tax liability, for which, will be determined on the basis of the results for the period April 1, 2007 to March 31, 2008.

1.11 Premium on Prepayment of Term Loans :

Premium paid on prepayment of Term Loans is amortised over the unexpired tenure of the said Term Loan.

1.12 Provisions, Contingent Liabilities and Assets

Provisions are recognised when the company has a present obligation as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

1.13 Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which the asset is impaired and the impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest level of cash generating units.

2. Contingent Liabilities not provided for:

- 2.1 Guarantee given for loans taken by subsidiaries/Joint Ventures from Banks/others is Rs. 60.11 Crores. (2006: Rs.2.00 Crores)
- 2.2 Guarantees outstanding Rs. 9.57 Crores. (2006 : Rs. 3.40 Crores)
- 2.3 Claims against the company not acknowledged as debts : Rs. 24.64 Crores. (2006 : Rs. 5.24 Crores)

3. Secured Loans: Amount Outstanding (Rs. In Crores)

200.00	Secured by mortgage of company's property at Dist Mehsana
1.87	Secured by Hypothecation of assets of the specific mega stores, assignments of specific brands of the company
2.62	Secured by charge on company's specific fixed assets.
5.44	Secured by hypothecation of specific assets i.e. plant & machinery & other movable assets, furniture & Fixtures & miscellaneous assets & motorcar & mortgage of land & building.
7.05	Secured by exclusive mortgage and charge over the rights, titles, interest of the borrower in the specific membership establishment agreements. First & exclusive mortgage /charges/ security interest over the borrowers specific trademark, and all the manufacturing, packaging & other technical know-how related to the manufacture of all the products manufactured and/or sold by the borrower under the said trademark, and all other rights of the borrower to all such products.

15.91	Secured by hypothecation of specific assets created out of the term loan funds.
332.01	Pari Passu first Charges on the fixed assets of the company. Pari Passu first charge on credit card receivables of all the stores of the company. Pari Passu second charges on the company's entire current assets.
250.22	Secured by Residual charge on Current Assets & Fixed Assets of the company
34.37	Secured by hypothecation of specific assets created out of the term loan funds
0.39	Secured by hypothecation of specific assets.
9.67	Secured by earmarked Fixed Deposit.
<u>642.57</u>	

Working Capital Loans

90.81	Secured by hypothecation of stock in trade both present and future book debts and second charge on credit card receivables and fixed assets.
-------	--

Hire Purchases :

- | | |
|------|--|
| 1.59 | Secured by Hypothecation of specific assets. |
|------|--|
- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 66.25 Crores (2006: 31.42 Crores)
 - In the opinion of the Board, the current assets, loans and advances are approximately of the value stated if realised in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
 - Some of the balances in Sundry Debtors, Sundry Creditors, Advances and Deposits and Bank Accounts are subject to confirmation, reconciliations and adjustments if any, which in the opinion of the management will not be significant.
 - During the year, the company has issued Non-Convertible Debentures of Rs.200.00 Crores (Rs.100.00 Crores repayable in November 2007 and Rs.100.00 Crores in March 2008).
 - Of the unsecured loans, amount repayable within one year is Rs. 202.50 Crores (2006: Rs. 173.29 Crores) and of the Secured Loans amount repayable within one year is Rs. 266.82 Crores (2006: Rs. 30.46 Crores).
 - During the year, the Company has transferred to the Investor Education and Protection Fund an amount of Rs. 0.15 Lac towards Unclaimed Fixed Deposit. There are no other amounts due and outstanding to be credited to the Investor Education and Protection Fund.
 - Auditor's Remuneration : (Excluding Service tax)

	2006-07	2005-06
	Rs. In Crores	Rs. In Crores
Audit Fees	0.26	0.19
Tax Audit	0.02	0.01
Out of pocket Expenses	-	0.01
Other Services	0.01	-
TOTAL	0.29	0.21

(Excludes fees paid for QIB issue of Rs. 0.01 Crores charged to Share Premium Account during the year)

- Future interest liabilities in respect of assets of the value of Rs. 1.59 Crores (2006: Rs. 0.75 Crores) acquired on hire purchase basis is Rs. 0.44 Crores (2006: Rs. 0.01 Crores).
- The interest allocated against fixed assets amounts to Rs. 9.38 Crores (2006: Rs. 3.90 Crores).
- The Company has entered into operating lease arrangements for fixed assets. The future lease rental obligation in respect of these assets is Rs. 101.36 Crores (2006: Rs. 61.63 Crores). The Lease Rent payable not later than one year is Rs. 36.38 Crores (2006: Rs. 11.98 Crores), repayable later than one year but not later than 5 years is Rs.64.98 Crores (2006:Rs. 49.65 Crores) and that repayable later than 5 years is Rs. Nil (2006: Rs. Nil).

13. a) Equity shares of Rs. 10 each have been subdivided into five equity shares of Rs. 2 each pursuant to resolution passed by shareholders at the Annual General Meeting on November 17, 2006.
- b) During the year, Company has allotted 62,65,060 (Sixty Two Lacs Sixty Five Thousand & Sixty) fully paid up Equity Shares of the face value of Rs.2/- (Rupees Two only) each at a premium of Rs. 413/- (Rupees Four Hundred Thirteen only) on Preferential Basis to the Qualified Institutional Buyers.
- c) Of the 12300 equity shares of Rights issue kept under abeyance, the company has allotted 800 (Eight Hundred) fully paid up Equity Shares of the face value of Rs.2/- (Rupees Two only) each at a premium of Rs. 98/- (Rupees Ninety Eight only) during the year.
- d) During the year, Company has allotted 60,62,400 (Sixty Lacs Sixty Two Thousand & Four Hundred only) fully paid up Equity Shares of the face value of Rs.2/- (Rupees Two only) each at a premium of Rs. 325/- (Rupees Three Hundred Twenty Five only) on conversion of Warrants on preferential basis.
14. a) Particulars of Remuneration and other benefits provided to Directors for the year ended June 2007 and 2006 are set out below :

		(Amount in Crores)		
		Salary & Perquisites	Sitting Fees	Commission
Wholetime Directors	2007	4.54	-	1.50
	2006	3.73	-	0.50
Non Wholetime Directors	2007	-	0.11	0.15
	2006	-	0.11	0.15

- b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non-wholetime directors.

		Year ended 30/06/2007	
		Amount (Rs. in Crores)	Amount (Rs. In Crores)
Profit before tax for the year ended 30/06/2007			181.01
Add:			
a) Directors sitting fees		0.11	
b) Remuneration paid to Whole time Directors		6.04	
c) Commission paid to Non- Whole time Directors		0.15	
d) Depreciation		36.86	43.16
Less:			
a) Profit on Sale of Fixed Assets		0.11	
b) Profit on sale of Investments		88.88	
c) Depreciation under Section 350 of the Companies Act, 1956		36.86	125.85
Profit under section 349/350 for computing Managerial Remuneration			98.32
Maximum approved by the Shareholders (1%)			0.98
Commission approved by the Board			0.15

15. a) The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.
- b) List of Small scale and ancillary undertakings to whom company has an outstanding of Rs. 1.00 Lac for more than 30 days to the extent available with the company are as under:
Amit Men's Wear, Alternate Clothing Co., Jean Paul Corp. (India), Hoffmen Fashion Pvt. Ltd.,

16. Related Party Disclosure :

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

a) List of Related Parties

Subsidiary

1. Home Solutions Retail (India) Limited
2. Home Solutions Services (India) Limited
3. Home Lighting India Ltd.
4. Futurebazaar India Ltd.
5. Future Brands Limited
6. Future Knowledge Services Limited
7. Future Media (India) Limited
8. Future Logistic Solutions Limited
9. Foot Mart Retail (India) Limited
10. Future Generali India Insurance Company Limited
11. Future Generali India Life Insurance Company Limited
12. Pan India Restaurants Limited
13. Pantaloon Food Product Limited
14. CIG Infrastructure Pvt. Ltd.
15. Future Capital Holdings Ltd.
16. Future Finmart Ltd.
17. Sivagami Finance & Investments Limited
18. Indivision Investment Advisors Ltd.
19. Kshitij Investment Advisory Company Limited
20. Myra Mall Management Company Limited
21. Ambit Investment Advisory Company Limited
22. Future E-Commerce Infrastructure Limited
23. Future Mobiles & Accessories Limited
24. Convergem Retail (India) Limited
25. Pantaloon Future Ventures Limited

Associate Companies / Firms

1. Pantaloon Industries Limited;
2. Indus League Clothing limited;
3. KB Mall management Company limited;
4. PFH Entertainment Limited;
5. Manz Retail Private Limited;
6. Idiom Design & Consulting Limited;
7. Nishta Mall Management Company Private Limited;
8. Niyaman Mall Management Company Private Limited;
9. Acute Realty private Limited;
10. Dhruv Synthetics Pvt. Ltd.;
11. Anchor Malls Private Limited;
12. Varnish Trading Private Limited;
13. Bartraya Mall Management Company Private Limited;
14. Unique Malls Private Limited;
15. BLB Mall Management Company Private Limited;
16. ESES Commercials Private Limited;
17. Bansi Mall Management Company Private Limited;
18. Ojas Mall Management Company Private Limited;
19. Suhani Mall Management Company Private Limited;
20. Stripes Apparels Pvt. Ltd.

Key Management Personnel and Relatives

Key Management Personnel

1. Mr. Kishore Biyani – Managing Director;
2. Mr. Gopikishan Biyani – Whole time Director;
3. Mr. Rakesh Biyani – Whole time Director;
4. Mr. Ved Prakash Arya – Director Operations & COO (till 31st March 2007);

b) Transaction with Related Parties

(Rs. in Crores)

Nature of transactions	Associate Companies / Joint Ventures	Subsidiaries Companies	Key Management Personnel & Relatives
Sales and Operating Income	81.76	71.77	
Interest Received		0.02	
Purchase of Raw Material, Finished Goods and Stores	109.78	346.06	
Purchase of Fixed Assets	0.60	7.87	
Expenditure on services and Others	55.43	4.40	
Managerial remuneration & Commission			6.04
Advances given	14.22	16.98	
Advance Taken	0.04	-	
Inter Corporate Deposits	23.63	-	
Deposit given	50.37	4.30	
Deposit Taken	35.76	1.82	
Investment	43.79	55.83	
Share Application Money	12.52	5.73	
Outstanding balances as on 30/06/07			
Receivable	172.73	42.65	
Payable	3.23	11.59	

c) Joint Venture Information:

Joint Venture, as required by (AS-27) "Financial Reporting of Interest in Joint Venture" is given below:

(i) Details of Joint Venture Interest

Name	Description of Interest	Country of Incorporation	Percentage of Interest As on 30.06.07	Percentage of Interest As on 30.06.06
Planet Retail Holding Limited	Equity Shareholding	India	49.00%	49.00%
Supreme Tradelinks Limited (Subsidiary of Planet Retail Holding Limited)	Equity Shareholding	India	49.00%	49.00%
Alpha Future Airport Retail Pvt Ltd	Equity Shareholding	India	50.00%	Nil
Gupta Infrastructure India Limited	Equity Shareholding	India	19.38%	20.00%
Pan India Food Solutions Private Limited	Equity Shareholding	India	50.00%	Nil
Staples Future Office Products Pvt Ltd	Equity Shareholding	India	37.50%	Nil
Talwalkar Pantaloon Fitness Private Limited	Equity Shareholding	India	50.00%	Nil

(ii) Company's Interest in the Joint Venture

Name	As on	Assets (Rs. in Crores)	Liabilities (Rs. in Crores)	For the year ended	Income (Rs. in Crores)	Expenditure (Rs. in Crores)
Planet Retail Holding Ltd.	31.03.07	62.01	48.85	31.03.07	71.85	75.79
Alpha Future Airport Retail Pvt Ltd	31.01.07	21.63	5.56	31.01.07	-	-
Gupta Infrastructure India Limited	31.03.07	12.73	8.99	31.03.07	-	-
Pan India Food Solutions Private Limited	30.06.07	17.13	10.71	30.06.07	9.47	15.06
Staples Future Office Products Pvt Ltd	30.06.07	15.45	0.31	30.06.07	0.64	0.76
Talwalkar Pantaloon Fitness Private Limited	31.03.07	2.82	1.82	31.03.07	0.04	0.03

The Above figures are based on latest available unaudited accounts, drawn on the respective dates.

d) Disclosure required under Clause 32 of the Listing Agreement

(Rs. In Crores)

S.No.	Loans & Advances	Amount o/s as at 30.06.2007	Maximum Amount o/s during the year
1	To Associates/JV's		
	Planet Retail Holdings Pvt Ltd	11.22	11.22
	Alpha Future Airport Retail Pvt Ltd	12.41	12.41

- 17.** Pan India Restaurants Limited (Pan India), a subsidiary of the company filed a petition with the Hon'ble High Court of Mumbai for sanction of scheme of Amalgamation ("The Scheme") under the provisions of Section 391 to Section 394 of the Companies Act, 1956 for amalgamation with Galaxy Entertainment Corporation Limited with effect from 16th October 2006 being the appointed date. The scheme was approved by the Hon'ble High Court vide its order dated 30th August 2007 and all assets & liabilities of Pan India have been taken over by Galaxy Entertainment Corporation Limited for a consideration discharged by issue of 29,37,935 (Twenty Nine Lacs Thirty Seven Thousand Nine Hundred & Thirty Five) equity shares to the Company.

18. Segment Report :

The company has re-designed & re-organised business group and organisation to work as a single retail group instead of lifestyle and value as it was done earlier. Accordingly, Segment Information is not being disclosed pursuant to the provision of Accounting Standard 17 on "Segment Reporting" issued by ICAI.

19. Earnings Per Share

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

		Units	2006-2007	2005-2006
Profit after tax	A	Rs. In Crores	119.99	64.16
Add: Increased earning on account of interest savings on dilutive potential equity shares (net of taxes)		Rs. In Crores	-	-
		-	-	-
	B	Rs. In Crores	119.99	64.16
Weighted average number of equity shares	C	In Crores	13.78	12.68
Add: Dilutive Potential Equity Shares		In Crores	-	-
Number of equity shares for dilutive EPS	D	In Crores	13.78	12.68
Earning per share				
Basic (A/C)		Rs.	8.71	5.06
Dilutive(B/D)		Rs.	8.71	5.06

20. Deferred Tax Liability :

As per Accounting Standard (AS-22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India (ICAI), the deferred tax liability (DTL) comprises of the following :

Item	2006-2007 (Rs. In Crores)	2005-2006 (Rs. In Crores)
Deferred Tax Liability		
Related to Fixed Assets	57.84	29.62
Deferred Tax Asset		
Disallowances under the Income Tax Act, 1961/Provisions	2.00	1.70
Provision for Deferred Tax (net)	55.84	27.92

21. During the year following Companies have become Subsidiaries of the Company.

Sr. No.	Name of Subsidiary Company	% of Holdings as on 30.06.2007
1	Future Brands Limited	100%
2	Future E-Commerce Infrastructure Limited	84.99%
3	Future Generali India Insurance Company Limited	100%
4	Future Generali India Life Insurance Company Limited	100%
5	Future Knowledge Services Limited	100%
6	Future Bazaar India Limited	99.67%

22. Additional information in pursuance of the provisions of the paragraph 3,4C, 4D, Part II of Schedule VI of the Companies Act, 1956, are as certified by the Management of the Company.

- Licensed / Installed Annual Capacities And Production :

	Licensed Capacity		Installed Capacity		Actual Production	
	As at	As at	As at	As at	As at	As at
	30-06-2007	30-06-2006	30-06-2007	30-06-2006	30-06-2007	30-06-2006
			Stitching Machines (Nos.)		Nos. In Lacs (Pcs)	
Apparels	N.A.	N.A.	397	373	23.21	31.39

The Company is not required to obtain License under Industries (Development and Regulation) Act, and therefore licensed capacity is not applicable.

23. Sales, Purchases, Opening and Closing Stock

(Rs. in Crores)

		Sales		Purchases		Opening Stock		Closing Stock	
	Unit	Qty*	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Apparels/Household Items etc.	Lac Pcs	762.28	1765.09	867.77	1309.88	216.31	417.53	345.01	653.10
		(636.28)	(1134.28)	(714.71)	(818.35)	(106.49)	(227.94)	(216.31)	(417.53)
Others		-	1007.39	-	984.05	-	62.90	-	184.78
		(528.15)	-	(506.54)	-	(19.02)	-	(62.90)	
Total		762.28	2772.48	867.77	2293.93	216.31	480.43	345.01	837.88
		(636.28)	(1662.42)	(714.71)	(1324.89)	(106.49)	(246.96)	(216.31)	(480.43)

* Sales is inclusive of samples, free gifts, shortages etc.

The Company having dealt in a large number of products, the quantitative information has been furnished only in respect of major items namely Apparels and Household Items. Other items are grouped together, as quantitative information in respective of each product is not practical to ascertain in view of nature of retailing operation of the Company.

Raw Material :

(Rs. in Crores)

	Unit	Sales		Purchases		Opening Stock		Closing Stock	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)	Qty	Amount (Rs.)	Qty	Amount (Rs.)
Fabric	Lac. Mtrs	129.05	258.93	167.57	278.47	9.89	13.09	11.91	18.54
		(66.27)	(96.08)	(111.24)	(140.62)	(12.66)	(19.86)	(9.89)	(13.10)
Knits Fabric	Lac. Kgs	-	-	-	-	-	-	-	-
						(0.04)	(9.83)		
Stitching Material		0.03			5.18		1.27		1.06
					(7.65)		(0.09)		(1.26)
Total		129.05	258.96	167.57	283.65	9.89	14.36	11.91	19.60
		(66.27)	(96.08)	(111.24)	(148.27)	(12.70)	(20.84)	(9.89)	(14.36)

Raw Material Consumption:

(Rs. in Crores)

			2006-2007			2005-2006		
	Unit		Qty	Value (Rs.)	Percentage	Qty	Value (Rs.)	Percentage
Fabrics	Imported	Lac Mtrs	2.05	2.12	5.25	2.90	1.52	3.17
	Indigenous	Lac Mtrs	34.45	38.28	94.75	44.80	46.54	96.83
	Total		36.50	40.40	100.00	47.70	48.06	100.00
Knits Fabric	Imported	Lac Kgs	-	-	-	-	-	-
	Indigenous	Lac Kgs	-	-	-	0.04	0.10	100.00
	Total		-	-	-	0.04	0.10	100.00
Stores & Spares	Imported			0.08	23.99		0.06	23.07
	Indigenous			0.24	76.01		0.19	76.93
	Total			0.32	100.00		0.25	100.00
Stitching Material	Imported			0.59	11.02		1.07	14.65
	Indigenous			4.77	88.98		6.20	85.35
	Total			5.36	100.00		7.27	100.00

Note: Value of consumption has not been adjusted in respect of Profit /Loss (if any) made on sale of Raw Materials.

24.

(Rs. in Crores)

Value of Imports (CIF Basis)	2006-2007	2005-2006
Raw Material	1.86	2.62
Finished goods	2.77	2.25
Capital Goods	25.68	6.52
Stores & spares	0.08	0.06
Stitching Material	0.31	1.16
Accessories & Others	0.58	0.60

25.

(Rs. in Crores)

Expenditure in foreign currency	2006-07	2005-2006
Traveling Expenses	0.43	0.33
Consulting Fees	3.87	2.76
License Fees & Royalty	0.49	0.32
Interest on FCNR Loan/Term Loan/FC Loan	1.86	8.30

26. During the year the Company has suffered loss on stocks of Rs.0.74 Crores due to flooding of a store/ warehouses for which Insurance claims have been received /under process.

27. Foreign Currency Earnings

	(Rs. in Crores)	
	2006-07	2005-2006
Earning in foreign currency*	38.41	35.47

*Earning in foreign currency includes Rs. 24.74 Crores (2006: Rs. 28.34 Crores) being indirect foreign exchange earnings during the year through credit cards, as certified by the bankers.

28. Figures in bracket pertain to previous year.

29. Previous year figures have been regrouped, recast, rearranged and reclassified wherever considered necessary.

As per our Report of even date attached

For NGS & CO.,
Chartered Accountants

Navin.T.Gupta
Partner
Membership No.40334

Place : Mumbai
Date : 26th September, 2007

For and on behalf of Board of Directors

Kishore Biyani
Managing Director

Shailesh Haribhakti
Director

Anil Harish
Director

Rakesh Biyani
Wholetime Director

S. Doreswamy
Director

Bala Deshpande
Director

Gopikishan Biyani
Wholetime Director

Dr. Darlie O. Koshy
Director

K. K. Rathi
Chief Financial Officer

Balance Sheet Abstract and Company's General Business Profile:

Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956

I Registration Details:				
	Registration No.	44954	State Code	11
	Balance Sheet date	30/06/2007		
II Capital raised during the year (Amount Rs. In Thousand)				
	Public Issue	NIL	Bonus Issue	NIL
	Rights Issue	NIL	Private Placement	4540996
III Position of Mobilisation and Deployment of Funds (Amount Rs.inThousands)				
	Total liabilities	24475951	Total assets	24475951
	Sources of funds :			
	Paid up Capital	293503	Reserves & Surplus	10628221
	Share application Money Received	10	Unsecured Loans	3476494
	Deferred Tax	554830		
	Secured Loans	9519293		
	Application of Funds:			
	Net Fixed Assets	8057293	Investments	2520036
	Net Current Assets	13898622	Misc.Expenditure	NIL
	Accumulated Losses	NIL		
IV Performance of Company (Amount in Rs. In Thousands)				
	Turnover	33287616	Total Expenditure	31477561
	Profit before Tax	1810055	Profit after Tax	1199923
	*Including Other Income			
	Earnings per Share Rs.	8.71	Dividend rate %	25

V. Generic Names of three principal Products / Services of Company (As per Monetary Terms)

Item Code No.(ITC Code)	Product Description
620343	Trousers of Synthetic Fibers
520530	Shirts of Man-made Fibers
521211	Woven Fabrics of Synthetic Staple Fibers

For **PANTALOON RETAIL (INDIA) LIMITED**

Kishore Biyani
Managing Director

Gopikishan Biyani
Wholetime Director

Rakesh Biyani
Wholetime Director

Shailesh Haribhakti
Director

S. Doreswamy
Director

Dr. Darlie O. Koshy
Director

Anil Harish
Director

Bala Deshpande
Director

Place : Mumbai
Dated : 26th September, 2007

K.K. Rathi
Chief Financial Officer

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

S.No	Name of the Subsidiary Companies	Financial Year of the Subsidiary ended on	Extent of the Holding Company's Interest (%)	Net aggregate amount of the Profit/(Loss) of the Subsidiary, so far as it concerns the members of the Holding Company (Rs. in Crores)			
				Not dealt with in the holding		Dealt with in the holding	
				For the Financial Year of the Subsidiary	For the previous Financial Years since they became Subsidiary	For the Financial Year of the Subsidiary	For the previous Financial Years since they became Subsidiary
01	Home Solutions Retail India Limited	30.06.2007	73.32%	(29.85)	(5.82)	-	-
02	Home Lighting India Limited*	30.06.2007	37.39%	(0.07)	-	-	-
03	Home Solutions Services (India) Limited*	30.06.2007	73.32%	(0.01)	-	-	-
04	Pantaloon Food Product (India) Limited	30.06.2007	100.00%	0.44	(0.07)	-	-
05	Pan India Restaurants Limited	31.03.2007	100.00%	0.05	0.01	-	-
06	Future Media(India) Limited	30.06.2007	100.00%	(4.11)	(0.02)	-	-
07	Future Logistics solutions Limited	30.06.2007	100.00%	(1.95)	(0.01)	-	-
08	Convergem Retail India Limited	30.06.2007	100.00%	(0.10)	-	-	-
09	CIG Infrastructure Private Limited@	31.03.2007	51.00%	(0.01)	(0.01)	-	-
10	Footmart Retail India Limited@	30.06.2007	51.00%	(5.00)	(0.32)	-	-
11	Future Capital Holdings Limited	31.03.2007	78.25%	0.12	(0.01)	-	-
12	Indivisions Investment Advisors Limited#	31.03.2007	15.65%	0.66	-	-	-
13	KSHITIJ Investment Advisory Company Limited#	31.03.2007	71.99%	(0.25)	-	-	-
14	Ambit Investment Advisory Company Limited#	31.03.2007	78.25%	0.27	-	-	-
15	Myra Mall Management Company Limited#	31.03.2007	78.25%	(1.01)	-	-	-
16	Futurebazaar India Limited@	30.06.2007	99.67%	(17.27)	-	-	-
17	Future Knowledge Services Limited	30.06.2007	100.00%	(0.93)	-	-	-
18	Future Brands Limited	30.06.2007	100.00%	(0.84)	-	-	-
19	Future Generali India Insurance Company Limited	31.03.2007	100.00%	(2.24)	-	-	-
20	Future Generali India Life Insurance Company Limited	31.03.2007	100.00%	(3.57)	-	-	-
21	Future Finmart Limited#	31.03.2007	78.25%	(0.04)	-	-	-
22	Future E-Commerce Infrastructure Limited@	30.06.2007	84.99%	-	-	-	-
23	Sivagami Finance & Investments Limited#	31.03.2007	78.25%	-	-	-	-
24	Future Hospitality Management Services Limited#	31.03.2007	78.25%	-	-	-	-
25	Future Mobiles and Accessories Limited	30.06.2007	100.00%	-	-	-	-

Subsidiaries of Future Capital Holdings Limited

* Subsidiaries of Home Solutions Retail India Limited

@ Based on unaudited results

For **PANTALOON RETAIL (INDIA) LIMITED**
Kishore Biyani
 Managing Director

Gopikishan Biyani
 Wholetime Director

Rakesh Biyani
 Wholetime Director

Shailesh Haribhakti
 Director

S. Doreswamy
 Director

Dr. Darlie O. Koshy
 Director

Anil Harish
 Director

Bala Deshpande
 Director

 Place : Mumbai
 Dated : 26th September, 2007

K.K. Rathi
 Chief Financial Officer

Addendum to the Annual Report of Pantaloon Retail (India) Limited for the year ended 30 June 2007, pursuant to the direction given by the Central Government of India vide approval letter no. 47/359/2007-CL-III dtd. 21/08/2007 directing the Company to give following information in the annual report while granting approval under Section 212(8) of the Companies Act, 1956.

Statement Containing financial details of subsidiaries of Pantaloon Retail (India) Limited

(Rs. In Crores)

S. No.	Name of the Subsidiary Companies	Capital	Reserves	Total Assets	Total Liabilities	Investment (excluding investments in subsidiaries)	Turnover	Profit before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend
1	Ambit Investment Advisory Company Limited	1.00	-	1.36	1.36	-	0.40	0.40	0.05	0.35	-
2	CIG Infrastructure Private Limited@	0.01	-	0.01	0.01	-	-	(0.00)	0.00	(0.00)	-
3	Convergem Retail (India) Limited	2.52	-	2.68	2.68	-	0.52	(0.10)	-	(0.10)	-
4	Foot-Mart Retail India Limited@	4.83	7.17	35.04	35.04	0.00	12.63	(9.52)	0.29	(9.81)	-
5	Future Brands Limited	10.00	-	13.39	13.39	-	-	(0.83)	0.00	(0.84)	-
6	Future Capital Holdings Limited	44.45	47.64	107.72	107.72	55.43	9.27	0.24	0.08	0.16	-
7	Future E-Commerce Infrastructure Limited@	20.00	-	20.00	20.00	-	-	-	-	-	-
8	Future Finmart Limited	0.05	-	0.10	0.10	-	-	(0.05)	-	(0.05)	-
9	Future Generali India Insurance Company Limited	0.05	-	10.09	10.09	-	-	(2.23)	0.00	(2.24)	-
10	Future Generali India Life Insurance Company Limited	0.05	-	13.06	13.06	-	-	(3.57)	0.00	(3.57)	-
11	Future Hospitality Management Services Limited	-	-	-	-	-	-	-	-	-	-
12	Future Knowledge Services Limited	0.05	-	0.99	0.99	-	-	(0.93)	0.00	(0.93)	-
13	Future Logistic Solutions Limited	0.05	-	7.05	7.05	-	3.73	(1.95)	0.00	(1.95)	-
14	Future Media (India) Limited	48.45	-	64.92	64.92	-	4.09	(6.15)	(2.04)	(4.11)	-
15	Future Mobiles and Accessories Limited	-	-	-	-	-	-	-	-	-	-
16	Futurebazaar India Limited@	15.05	-	34.93	34.93	-	3.84	(17.31)	0.02	(17.33)	-
17	Home Lighting India Limited	1.00	-	1.06	1.06	0.15	0.03	(0.20)	0.00	(0.20)	-
18	Home Solutions Retail (India) Limited	43.21	127.04	313.10	313.10	5.25	323.14	(40.23)	0.66	(40.89)	-
19	Home Solutions Services (India) Limited	0.05	-	0.05	0.05	-	-	(0.01)	-	(0.01)	-
20	Indivision Investment Advisors Limited (IIAL)	0.50	1.54	12.51	12.51	-	14.91	5.10	0.91	4.19	-
21	Kshiti Investment Advisory Company Limited	3.00	-	10.34	10.34	-	15.20	(0.50)	(0.15)	(0.35)	-
22	Myra Mall Management Company Limited	1.00	-	76.54	76.54	-	2.61	(1.90)	(0.61)	(1.29)	-
23	Pan India Restaurants Limited	4.11	6.15	13.29	13.29	2.01	3.55	0.10	0.05	0.05	-
24	Pantaloon Food Product (India) Limited@	3.63	0.52	18.29	18.29	-	147.80	0.73	0.29	0.44	-
25	Sivagami Finance & Investments Limited	0.99	0.28	2.17	2.17	0.01	0.39	0.03	0.03	0.01	-

Annual accounts of the subsidiary companies and related detailed information will be made available to the holding and subsidiary company investors, seeking such information at any point of time. Annual accounts of subsidiary companies would be available for inspection at the registered office and at offices of the concerned subsidiary company by any investor.

@ Based on unaudited results.

Cash Flow Statement for the Year ended 30th June 2007

(Pursuant to Clause 32 of the Listing Agreement)

	2006-2007 (Rs. in Crores)	2005-2006 (Rs. in Crores)
A Cash Flows from Operating Activities		
Net Profit Before Tax and Extraordinary items	181.01	91.90
Adjustments :		
Depreciation	36.86	20.82
Interest (Net)	89.76	33.52
Dividend Income	(0.97)	(0.00)
(Profit) / Loss on sale of shares	(88.88)	(1.02)
(Profit) / Loss on sale of asset	(0.11)	0.01
Operating profit before working capital changes	217.67	145.23
Change in workign capital:		
Trade and other receivable	(48.55)	(5.35)
Inventories	(378.93)	(231.11)
Loans & advances	(146.40)	(76.19)
Trade payables	120.74	88.20
Net Cash generated from operations	(235.47)	(79.22)
Direct taxes paid	(36.41)	(10.51)
Net Cash flow before Extraordinary items	(271.88)	(89.73)
Extraordinary items	(0.06)	(0.08)
Net Cash generated by Operating Activities	(271.94)	(89.81)
B Cash Flow From Investing Activities		
Acquisition Fixed Assets	(402.87)	(116.75)
(Increase)/Decrease in capital work - in - progress	(45.06)	(70.27)
Share Application Money	(20.94)	(21.05)
Proceeds from sale of fixed assets	0.94	0.24
Proceeds on Sale of investments	138.88	4.74
Purchase of investments	(119.39)	(112.42)
Advances To Subsidiary	(16.48)	(1.18)
Due to -Subsidiary	2.23	7.46
Deposit from Subsidiaries	(6.60)	8.50
Inter Corporate Deposits	(6.72)	(22.07)
Deposit given-leased premises	(166.69)	(111.67)
Dividend Income	0.97	0.00
Net Cash used in Investing Activities	(641.73)	(434.46)

Cash Flow Statement for the Year ended 30th June 2007

(Pursuant to Clause 32 of the Listing Agreement)

	2006-2007 (Rs. in Crores)	2005-2006 (Rs. in Crores)
C Cash Flow from Financing Activities		
Dividend paid (Including distribution tax)	(7.66)	(6.27)
Working Capital from Banks/Institutions	(65.73)	82.76
Proceeds from Issue of Share Capital (Net of Expenses)	454.09	249.16
Proceeds/ (repayment) of Commercial Paper	(10.00)	25.00
Proceeds from long term borrowing	544.57	64.16
Proceeds/ (repayment) of short term borrowings (Net)	229.36	143.25
Interest (Net)	(89.76)	(33.52)
Net Cash from financing activities	1,054.87	524.54
Net Cash used in Cash and Cash Equivalents (A+B+C)	141.20	0.27
Cash & Cash Equivalents (Opening balance)	21.77	21.50
Cash & Cash Equivalents (Closing balance)	162.97	21.77
Cash and Cash Equivalents include:		
Cash in Hand (as certified)	8.93	4.05
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	41.87	13.23
in Fixed Deposit Account	111.96	4.33
Dividend Account	0.21	0.17
	162.97	21.77

As per our Report of even date attached

For NGS & CO.,
Chartered Accountants

Navin.T.Gupta
Partner
Membership No.40334

Place : Mumbai
Date : 26th September, 2007

For and on behalf of Board of Directors

Kishore Biyani
Managing Director

Shailesh Haribhakti
Director

Anil Harish
Director

Rakesh Biyani
Wholetime Director

S. Doreswamy
Director

Bala Deshpande
Director

Gopikishan Biyani
Wholetime Director

Dr. Darlie O. Koshy
Director

K. K. Rathi
Chief Financial Officer

AUDITOR'S CERTIFICATE

We have examined the attached Cash Flow Statement of Pantaloon Retail (India) Limited for the year ended 30th June 2007. This statement has been prepared by the Company in accordance with the requirements of the listing agreement (Clause 32) entered with the Stock Exchanges 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 26th September, 2007 to the Members of the Company.

For NGS & CO.,

Chartered Accountants

Navin T.Gupta

Partner

Membership No.40334

Place : Mumbai

Date : 26th September, 2007

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors,
Pantaloon Retail (India) Limited,
Mumbai

We have audited the attached Consolidated Balance Sheet of Pantaloon Group as at 30th June 2007 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards required 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the Company's following Subsidiaries, ie. Future Capital Holdings Limited group, comprising of Future Capital Holdings Limited; Future Finmart Limited; Indivision Investment Advisors Limited; Kshitij Investment Advisory Company Limited; Myra Mall Management Company Limited; Ambit Investment Advisory Company Limited and Kshitij CapitalLand Mall Management Company Private Limited, Future Generali India Insurance Company Limited, Future Generali India Life Insurance Company Limited, Future Logistic Solutions Limited, Convergem Retail (India) Limited, Home Solutions Retail (India) Limited, Home Solutions Services (India) Limited, Home Lighting India Limited; and Future Media (India) Limited whose financial statements reflect total assets of Rs. 590.94 Crores as at 31st March 2007 / 30th June 2007, total revenue of Rs. 374.00 Crores and cash flows amounting to Rs. 31.87 Crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

Further financial statements of Foot-Mart Retail India Limited, CIG Infrastructure Private Limited, Future Bazaar India Limited, Future E-Commerce Infrastructure Limited, Gupta Infrastructure (India) Private Limited, Pantaloon Food Product (India) Limited, Pan India Food Solutions Private Limited, Staples Future Office Products Private Limited, Talwalkars Pantaloon Fitness Private Limited, Planet Retail Holdings Private Limited and its subsidiary Supreme Tradelinks Limited, have been consolidated based on unaudited accounts which are certified by the management.

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' and Accounting Standard (AS) 27, 'Financial Reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Pantaloon group, and certification of management in respect of subsidiaries and joint ventures referred to in Para 3 and 4 above and read with other notes of Schedule No.20, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India,

- i) In Case of Consolidated Balance Sheet, of the state of affairs of the Pantaloon Group as at 30th June, 2007
- ii) In case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- iii) In case of Consolidated Cash Flow Statement, of the cash flow for the year ended on that date.

For NGS & CO.,
Chartered Accountants

Navin T. Gupta
Partner
Membership No: 40334

Place : Mumbai
Dated: 26th September, 2007

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007

PARTICULARS	SCH. No.	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
I SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
Share Capital	1	97.35	26.88
Share / Warrant Application money Received		23.32	6.65
Reserves & Surplus	2	1,071.25	495.27
		<u>1,191.92</u>	<u>528.80</u>
2 MINORITY INTEREST		54.30	19.25
3 LOAN FUNDS			
Secured Loans	3	1,095.32	523.09
Unsecured Loans	4	367.76	179.66
		<u>1,463.08</u>	<u>702.75</u>
4 DEFERRED TAX LIABILITY (NET)		50.49	27.33
		<u>2,759.79</u>	<u>1,278.13</u>
II APPLICATION OF FUNDS :			
1 FIXED ASSETS			
Gross Block	5	1,012.77	469.64
Less : Depreciation		<u>106.54</u>	<u>60.22</u>
Net Block		906.23	409.42
Capital work-in-progress including advances		167.75	90.96
2 INVESTMENTS	6	90.25	44.20
3 CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	1,078.63	581.31
Sundry Debtors	8	68.03	28.54
Cash & Bank Balances	9	235.51	38.74
Loans & Advances	10	711.28	365.31
Other Current Assets		<u>1.65</u>	<u>1.09</u>
		<u>2,095.10</u>	<u>1,014.99</u>
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	483.51	265.44
Provisions	12	<u>16.45</u>	<u>16.06</u>
		499.96	281.50
NET CURRENT ASSETS		1,595.14	733.49
4 MISCELLANEOUS EXPENDITURE	13	0.42	0.06
(To the extent not written off or adjusted)		<u>2,759.79</u>	<u>1,278.13</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	20		

The Schedules referred to above 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

Place : Mumbai
Date : 26th September, 2007

For and on behalf of Board of Directors

Kishore Biyani
Managing Director

Shailesh Haribhakti
Director

Anil Harish
Director

Rakesh Biyani
Wholetime Director

S. Doreswamy
Director

Bala Deshpande
Director

Gopikishan Biyani
Wholetime Director

Dr. Darlie O. Koshy
Director

K. K. Rathi
Chief Financial Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007

PARTICULARS	SCH. No.	2006 - 2007 (Rs. in Crores)	2005 - 2006 (Rs. in Crores)
INCOME			
Sales & Operating Income	14	3,468.56	1,933.67
Other Income	15	97.37	3.67
		<u>3,565.93</u>	<u>1,937.34</u>
EXPENDITURE			
Cost of goods consumed & sold	16	2,331.05	1,277.18
Personnel cost	17	270.49	122.57
Manufacturing & other expenses	18	733.01	394.53
Finance Charges	19	100.08	38.89
Depreciation	5	48.24	22.70
Goodwill written off		3.25	0.14
		<u>3,486.12</u>	<u>1,856.01</u>
PROFIT BEFORE TAXATION		79.81	81.33
Less: Earlier year's Income Tax		0.06	0.07
Less: Provision for Taxation			
a) Current Tax		32.49	11.66
b) Deferred Tax		23.77	14.86
c) Fringe Benefit Tax		3.42	1.98
PROFIT AFTER TAXATION BEFORE PRIOR PERIOD ITEMS		<u>20.07</u>	<u>52.76</u>
Less: Prior Period Items		0.18	-
Profit After Taxation		19.89	52.76
Less: Share of Minority Interest		(15.65)	(0.95)
Profit After Minority Interest		35.54	53.71
Add : Balance brought forward		104.83	65.20
AVAILABLE FOR APPROPRIATION		<u>140.37</u>	<u>118.91</u>
Proposed Dividend		7.54	6.72
Dividend Tax		1.28	0.94
Transfer to Reserve under section 45 (1C) of the RBI Act		0.03	-
Transfer to General Reserve		12.00	6.42
Balance carried to Balance Sheet		119.52	104.83
		<u>140.37</u>	<u>118.91</u>
Earnings Per Share in Rs. (Face Value Rs.2)			
Basic		2.58	4.24
Diluted		2.58	4.24

Refer Note No. of 14 of Schedule 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

20

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

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

Kishore Biyani

Managing Director

Rakesh Biyani

Wholtime Director

Gopikishan Biyani

Wholtime Director

Shailesh Haribhakti

Director

S. Doreswamy

Director

Dr. Darlie O. Koshy

Director

Anil Harish

Director

Bala Deshpande

Director

K. K. Rathi

Chief Financial Officer

Place : Mumbai

Date : 26th September, 2007

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007

PARTICULARS	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
17,50,00,000 (3,50,00,000) Equity Shares of Rs.2/-(Rs.10/-) each.	35.00	35.00
20,00,000 Redeemable Non Convertible Preference Shares of Rs. 100/- each (0.01% coupon)	20.00	-
48,00,000 0.01% Non Cumulative Compulsory Convertible Preference shares of Rs.100 each	48.00	-
	<u>103.00</u>	<u>35.00</u>
Issued		
14,67,62,865 (2,68,87,081) Equity Shares of Rs.2/-(Rs.10/-) each fully paid	29.35	26.89
20,00,000 0.01% Redeemable Non Convertible Preference Shares of Rs. 100/- each (to be redeemed at a premium of 13% on 364th day from the date of the issue)	20.00	-
48,00,000 0.01% Non Cumulative Compulsory Convertible preference shares of Rs.100 each	48.00	-
	<u>97.35</u>	<u>26.89</u>
Subscribed & Paid Up		
14,67,51,365 (2,68,84,621) Equity Shares of Rs.2/- (Rs.10/-) each fully paid	29.35	26.88
20,00,000 0.01% Redeemable Non Convertible Preference Shares of Rs. 100/- each (to be redeemed at a premium of 13% on 364th day from the date of the issue)	20.00	-
48,00,000 0.01% Non Cumulative Compulsory Convertible preference shares of Rs.100 each	48.00	-
	<u>97.35</u>	<u>26.88</u>
SCHEDULE 2 : RESERVES & SURPLUS		
Share Premium		
Balance, at beginning of the year	372.12	125.12
Add : Premium received during the year	455.79	249.05
Less : Utilised for share issue expenses	4.15	2.06
	<u>823.76</u>	<u>372.11</u>
Capital Reserve on Consolidation	104.63	7.02
General Reserve	11.31	4.90
Add : Transfer from Profit & Loss Account	12.00	6.41
	<u>23.31</u>	<u>11.31</u>
Reserve under Section 45 (1C) of the RBI Act	-	-
Add : Transfer from Profit & Loss Account	0.03	-
	<u>0.03</u>	<u>-</u>
Surplus in Profit and Loss Account	119.52	104.83
	<u>119.52</u>	<u>104.83</u>
	<u>1,071.25</u>	<u>495.27</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007

PARTICULARS	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
SCHEDULE 3 : SECURED LOANS		
(1) Debentures		
8.95% Non Convertible Debenture	100.00	-
10.75% Non Convertible Debenture	100.00	-
(2) Term Loans		
a) Foreign Currency Loans		
- From Banks	1.87	11.75
- From Financial Institutions	-	5.68
b) External Commercial Borrowings	15.10	23.04
c) Rupee Loans		
-From Banks	665.91	306.03
-From Financial Institutions and Others	55.40	0.10
(3) Working Capital Loans From Banks		
Foreign Currency Loans	-	5.79
Rupee Loan	77.29	124.85
Commercial Paper	30.00	40.00
(4) Hire Purchase	1.59	0.28
(5) Bill Discounting	22.63	-
Share in jointly controlled entity	25.53	5.56
	<u>1,095.32</u>	<u>523.09</u>
SCHEDULE 4 : UNSECURED LOANS		
Short Term Loans from Banks	202.68	160.29
Other Loan from Banks	145.00	-
Inter Company Deposit	0.60	4.90
Share in jointly controlled entity	19.48	14.47
	<u>367.76</u>	<u>179.66</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007

SCHEDULE 5 : FIXED ASSETS

(Rs in Crores)

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.07.2006	Additions	Deductions	As at 30.06.2007	Upto 01.07.2006	Adjustment for the year	Depreciation for Year	Up to 30.06.2007	As at 30.06.2007	As at 30.06.2006
Land	4.76	0.07	-	4.83	-	-	-	-	4.83	4.76
Leasehold Land	4.06	16.70	-	20.76	0.14	-	1.44	1.59	19.18	3.91
Building	43.55	154.82	0.20	198.19	4.67	0.05	3.02	7.64	190.55	38.88
Kiosk Units	0.37	0.13	-	0.51	0.04	-	0.12	0.16	0.34	0.33
Plant & Machinery	21.93	10.80	-	32.73	3.49	-	1.55	5.04	27.69	18.43
Office Equipments	10.93	13.20	0.08	24.04	1.22	0.01	1.42	2.62	21.42	9.71
Computers & Softwares	56.84	65.55	0.03	122.36	17.58	0.00	12.06	29.63	92.73	39.26
Computer Leased	0.77	-	0.77	(0.00)	0.63	0.77	0.14	0.00	(0.00)	0.14
Furniture & Fittings	156.56	187.70	0.25	344.02	19.77	0.01	16.08	35.84	308.18	136.79
Electrical Installations	67.41	98.22	0.00	165.62	6.53	0.00	5.56	12.10	153.53	60.87
Vehicles	5.62	0.22	0.58	5.26	1.33	0.14	0.51	1.71	3.55	4.28
Air Conditioner	10.31	11.16	0.07	21.41	1.72	0.01	0.89	2.60	18.81	8.59
Brand - Intangibles	0.08	40.08	-	40.16	0.01	-	3.00	3.01	37.14	0.07
Share in jointly controlled entities	17.43	16.78	1.34	32.88	2.96	0.80	2.45	4.62	28.26	14.47
Total	400.62	615.47	3.32	1,012.77	60.09	1.79	48.24	106.54	906.23	340.53
Previous Year	335.44	136.33	2.13	469.64	39.27	1.74	22.70	60.22	409.42	-

Capital Work in progress (Including advances on Capital Account)

158.01

90.38

Share in jointly controlled entities

9.74

0.58

167.75

90.96

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007

PARTICULARS	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
SCHEDULE 6 : INVESTMENTS		
LONG TERM INVESTMENT IN SHARES		
QUOTED		
5,631 (Nil) Equity shares of Andhra Bank Limited of Rs. 10/- each fully paid up	0.05	0.05
20,00,000 Equity shares of Galaxy Entertainment Corporation Limited of Rs. 10/- each fully paid up	8.84	8.83
30,853 Equity Shares of Rs 10 each fully paid up of Siyaram Silk Mills Limited	0.73	-
UNQUOTED		
In Equity Shares		
4,000 Equity shares of Kalyan Janata Sahakari Bank Limited of Rs.25/- each fully paid up	0.01	0.01
Nil (4,000) Equity Shares of The Zorastrian Co.Op.Bank of Rs. 10/- each fully paid up	-	0.01
Nil (67,13,865) Equity Shares of Offbeat Developers Private Limited of Rs. 10/- each fully paid up	-	31.20
9,000 Equity Shares of Sain Marketing Network Private Limited of Rs.10 /- each fully paid up	0.01	-
In Preference Shares		
9,80,000 4% Redeemable Preference Shares of Sain Marketing Network Private Limited of Rs.10 /- each fully paid up	0.98	-
In Debentures		
Fully convertible debenture of Biba Apparels Private Limited: 7,000, 10% Fully convertible debentures - I of Rs 10,000 each, fully paid up (Fully convertible into equity shares on September 30, 2008)	7.11	-
5,000, 0% Fully convertible debentures - II of Rs 10,000 each, fully paid up (Fully convertible into equity shares on September 30, 2007)	5.08	-
In Equity Share Warrant		
29,98,000, Equity share warrant of Goldiam International Limited: [Fully convertible share warrants of Rs 150 each, (Face value of Rs.10 per share), paid up Rs.15 each, fully convertible into equity shares not later than October 23, 2007]	4.50	-
IN OTHER SHARES		
5 Shares of Y.A Chunawala Industrial Co-op Society Limited	0.00	0.00
In National Saving Certificates	0.01	0.02
Current Investments		
In units of Mutual Funds		
15,00,000.000 Units of Kotak FMP 3M Series 10 - Growth	1.50	-
4,18,440.892 Units of Kotak Floater Short Term - Growth	0.51	-
27,84,543, Reliance Floating Rate Fund - Daily Dividend Reinvestment Plan of Rs 1000 each	2.80	-
1,50,333, Reliance Liquid Plus Fund Institutional - Daily Dividend Plan of Rs.1000 each	15.03	-
26,36,271, Reliance Liquidity Fund - Daily Dividend Reinvestment		

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007

PARTICULARS	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
Option of Rs 10 each	2.64	-
6,549, Standard Chartered Liquidity Manager Plus - Daily Dividend of Rs. 1000 each	0.65	-
1,50,00,000, LIC Fixed Maturity Plan Series 17 - 3 Month - Growth of Rs 10 each	15.00	-
45,07,265.712 units of Rs. 10/- each ICICI Prudential Institutional Liquid	4.45	-
NIL(603,228.576) units of ICICI Prudential Floating Rate Plan	-	0.30
NIL(1185,539.460) units of ABN AMRO Cash Fund	-	1.19
Share Application Money Pending Allotment In :		
Staples Future Office Products Private Limited	0.54	-
Gupta Infrastructure (India) Private Limited	2.01	2.00
Pan India Food Solutions Private Limited	2.00	0.19
Sain Marketing Network Pvt. Ltd.	6.04	-
Suhani Mall Management Company Private Limited	2.00	0.40
Whole Wealth Limited	2.69	-
Share in jointly controlled entities	5.06	-
	90.25	44.20

SCHEDULE 7 : INVENTORIES

(As certified and valued by the Management)

Packing Materials , Branding Material and Stores & Spares	17.02	5.45
Raw Material	18.54	13.09
Stitching Materials	1.05	1.26
Semi finished goods	11.46	6.79
Finished Goods	994.96	533.01
Share in jointly controlled entities	35.60	21.71
	1,078.63	581.31

SCHEDULE 8 : SUNDRY DEBTORS

(Unsecured)

(a) Debts due for more than six months		
Considered Good	8.85	8.35
Considered Doubtful	1.23	0.64
	10.08	8.99
Less : Provision for Doubtful Debts	1.23	0.64
	8.85	8.35
(b) Other Debts : Considered Good	53.69	11.58
Share in jointly controlled entity	5.49	8.61
	68.03	28.54

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007

PARTICULARS	As At 30.06.2007 (Rs. in Crores)	As At 30.06.2006 (Rs. in Crores)
SCHEDULE 9 : CASH & BANK BALANCES		
Cash in Hand	9.54	4.18
Foreign currency on hand	0.00	-
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	90.55	27.20
in Fixed Deposit Account	120.45	6.23
Dividend Account	0.21	0.17
Share in jointly controlled entity	14.76	0.96
	<u>235.51</u>	<u>38.74</u>
SCHEDULE 10: LOANS & ADVANCES		
(Unsecured & Considered good)		
Inter Corporate Deposits	35.30	22.07
Advances Recoverable in cash or in kind or for value to be received	247.74	124.60
Export Benefits Receivables	0.13	0.08
Deposits	392.46	212.74
Payments /Deduction of Income Tax (Net of Provisions)	2.03	-
Balance with Custom/Excise Authorities	1.06	-
Share in jointly controlled entity	32.56	5.82
	<u>711.28</u>	<u>365.31</u>
SCHEDULE 11: LIABILITIES		
Acceptances	68.45	54.63
Sundry Creditors	326.76	171.57
Advances / Deposit from Customers	45.52	19.99
Interest accrued but not due	1.08	1.18
Other Liabilities	14.46	1.91
Unclaimed Dividends	0.21	0.17
Share in jointly controlled entity	27.03	15.99
	<u>483.51</u>	<u>265.44</u>
SCHEDULE 12: PROVISIONS		
Proposed Dividend	7.54	6.72
Dividend Tax	1.28	0.94
Provision for Leave Encashment / Gratuity	7.11	3.21
Taxation (net of advance payment/ tax deductions)	-	4.43
Other Provisions	0.19	0.07
Share in jointly controlled entity	0.33	0.69
	<u>16.45</u>	<u>16.06</u>
SCHEDULE 13: MISCELLANEOUS EXPENDITURE		
Preliminary expenses	0.00	0.05
Share in jointly controlled entities	0.42	0.01
	<u>0.42</u>	<u>0.06</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE 2007

PARTICULARS	2006 - 2007 (Rs. in Crores)	2005 - 2006 (Rs. in Crores)
SCHEDULE 14: SALES & SERVICES		
Sales	3,161.12	1,773.49
Other Operating Income	228.93	109.92
Share in jointly controlled entities	78.51	50.26
	<u>3,468.56</u>	<u>1,933.67</u>
SCHEDULE 15: OTHER INCOME		
Dividend	2.08	0.01
Export Benefits	0.68	0.10
Miscellaneous Income	2.87	0.98
Profit on Sale of Shares/units	89.46	(0.00)
Rent Received	-	1.20
Profit on Sale of Fixed Assets	0.09	-
Cash Discount	1.39	0.82
Insurance Claim	0.04	0.10
Sundry Balances Written back (Net)	-	0.07
Exceptional Item (Refer Note No. 13 of Schedule 20)	0.45	-
Share in jointly controlled entities	0.31	0.39
	<u>97.37</u>	<u>3.67</u>
SCHEDULE 16: COST OF GOODS CONSUMED & SOLD		
Opening Stock		
Raw Materials	13.09	19.96
Semi finished goods	6.79	6.11
Finished goods & Accessories	533.59	246.95
Stitching materials	1.26	0.88
	<u>554.73</u>	<u>273.90</u>
Add : Purchase		
Raw Material	278.47	140.62
Finished goods & Accessories	2,474.09	1,382.18
Stitching materials	5.17	7.65
	<u>2,757.73</u>	<u>1,530.45</u>
Less : Closing Stock		
Raw Materials	18.54	13.09
Semi finished goods	11.46	6.79
Finished goods & Accessories	994.96	533.01
Stitching materials	1.05	1.26
	<u>1,026.01</u>	<u>554.15</u>
Less : Insurance Claim	0.74	2.06
Share in jointly controlled entities	45.34	29.04
	<u>2,331.05</u>	<u>1,277.18</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE 2007

PARTICULARS	2006 - 2007 (Rs. in Crores)	2005 - 2006 (Rs. in Crores)
SCHEDULE 17: PERSONNEL COST		
Salaries, Wages & Bonus	234.68	106.68
Welfare expenses	9.68	6.29
Contribution to Provident & Other Funds	12.27	5.81
Gratuity and Leave encashment	5.32	0.65
Share in jointly controlled entities	8.54	3.14
	<u>270.49</u>	<u>122.57</u>
SCHEDULE 18: MANUFACTURING & OTHER EXPENSES		
Labour Charges	14.74	20.66
Packing Material & Expenses	27.90	19.22
Stores & Spares Consumed	0.50	0.25
Branding Material Consumed	1.93	3.18
Printing & Stationery	9.10	6.07
Power & Fuel	65.88	37.70
Mall Maintenance Charges	59.51	33.61
Repairs & Maintenance		
Building	1.36	1.35
Plant & Machinery	0.84	0.61
Others	10.90	6.27
Rent including lease rentals	233.82	115.84
Rates & Taxes	4.37	3.06
Donation	0.28	0.53
Credit card charges	13.97	8.46
Insurance	5.19	2.19
Legal & Professional Charges	19.36	6.90
Communication Expenses	12.51	7.28
Travelling & Conveyance Expenses	31.81	14.65
Auditors' Remuneration	0.52	0.37
Sundry Balances Write off	0.56	-
Transportation & Handling charges	34.01	19.52
Commission	7.19	7.07
Advertisement & Sales Promotion	119.95	53.02
Hire Charges	1.76	1.04
Directors Sitting Fees	0.11	0.11
Directors Commission	1.65	0.65
Loss on Sale of Fixed Assets	-	0.01
Provision for Doubtful Debts	0.73	0.06
Royalty	1.26	0.32
Other Expenses	17.07	8.32
Capital Issue Expenses w/off	0.11	-
Preliminary Expenses w/off	0.81	0.15
Share in jointly controlled entities	33.31	16.06
	<u>733.01</u>	<u>394.53</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE 2007

PARTICULARS	2006 - 2007 (Rs. in Crores)	2005 - 2006 (Rs. in Crores)
SCHEDULE 19 : FINANCE CHARGES		
Interest : on Debentures and Fixed Loans	44.11	9.09
on other loans	39.99	21.44
Bill Discounting Charges	8.11	1.60
Bank Charges	10.57	3.98
	102.78	36.11
Less : Interest Income		
on fixed deposits	0.96	0.38
on others	1.23	0.95
Less : Exchange Fluctuation Gain / (Loss)	2.74	(3.46)
Share in jointly controlled entities	2.23	0.65
	100.08	38.89

SCHEDULE 20 SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2007

1. SIGNIFICANT ACCOUNTING POLICIES :

1.1 Basis of Accounting :

The Consolidated Financial Statements ('CFS') are prepared in accordance with Accounting Standard ('AS') 21 "Consolidated Financial Statements", AS-23 "Accounting for Investments in Associates in Consolidated Financial Statement" and AS- 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the group and are consistent with those used in the previous year. Comparative figures do not include the figures of the newly acquired subsidiaries namely Future Brands Limited, Futurebazaar India Limited, Future E-Commerce Infrastructure Limited, Future Generali India Insurance Company Limited, Future Generali India Life Insurance Company Limited and Future Knowledge Services Limited. Consequently, the comparative figures are not strictly comparable with the figures for the year ended and as at June 30th, 2007.

1.2 Fixed Assets and Depreciation :

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. 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 employee perquisite- related assets which are depreciated over three years. Depreciation on the amount capitalised on account of foreign exchange fluctuation is provided prospectively over the residual life of the assets.

1.2.1 Goodwill on Consolidation

The excess of cost to the Parent Company of its investment in subsidiaries over the Parent Company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, is recognized in the consolidated financial statements as goodwill. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment. The Goodwill recorded in these consolidated financial statements will be written off 5 years from the year of acquisition.

1.2.2 Leased Fixed Assets

Lease payments under operating lease are recognised as expense as per the tenure of the lease agreements. Assets taken on finance lease (including that prior to 1st April 2001) are capitalised and finance charges are charged to Profit & Loss account on accrual basis.

1.3 Borrowing Cost:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset up to the date the assets are ready for their intended use or sale. Other expenses are recognized as an expense in the period in which they are incurred.

1.4 Investments :

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

Current Investments are stated at the lower of cost and market / fair value.

1.5 Inventories :

Inventories are valued as follows :

- a) Stores, Spare parts, Packing material, and Branding Material : At cost
- b) Raw material & Stitching material : At cost

- c) Finished goods lying at the stores : At the retail price less mark-up
- d) Work in Progress and Finished goods lying in the factory : At the lower of cost or net realisable value.

In case of finished goods, cost includes material cost and direct production overheads.

1.6 Transactions in Foreign Currency :

Foreign currency transactions are accounted at the rates prevailing on the date of transaction. Year-end current assets and liabilities are translated at the exchange rate ruling on the date of the Balance Sheet.

Exchange differences on settlement / conversion are adjusted to :

- (i) Cost of fixed assets, if the foreign currency transaction relates to fixed assets.
- (ii) Profit and Loss Account, in other cases.
- (iii) Wherever forward contracts are entered into, the exchange differences are dealt with in the Profit and Loss Account over the period of the contracts.

1.7 Revenue Recognition :

Sale of Goods are accounted on delivery to customers. Sales is net of returns and discounts. Sales tax/Value Added Tax is reduced from sales. Export sales is accounted as revenue on the basis of Bill of Lading. Interest income is recognised on accrual basis. Dividend income is accounted for when the right to receive is established. Claims are accounted only when there is reasonable certainty of its ultimate collection. Revenue from advisory services is recognised in the period when services are rendered. Advisory services income is recognized on the basis of an agreed mark up on costs incurred or in accordance with arrangements entered into with the customer. Revenue from research services is recognised based on the arrangements entered into with the parties receiving such research services. Lease rentals are recognized as an income in the profit and loss account on a straight line basis over the primary lease period. Amenities charges are recognized in accordance with the arrangements entered into with the lessees. Revenue from advertisement is recognized upon display of advertisements and to the extent that it is probable that the economic benefits will flow to the company and it can be reliably measured. Revenue billed to the customers but pertaining to the future period is recorded as 'Deferred revenue liability'. Revenue from 'warehousing operations', 'transportation' and 'rental' services is recognized upon completion of the service and is billed to the customers on a monthly basis.

1.8 Miscellaneous Expenditure :

Share Issue Expenses are adjusted to Share Premium Account and Preliminary expenses are charged to Profit & Loss Account as incurred.

1.9 Retirement Benefits :

In respect of benefits like Gratuity and Leave encashment, the provision is accrued and provided for on the basis of actuarial valuation at the end of every financial year

1.10 Taxation :

a) The deferred tax for timing differences between the book and tax profits for the period is accounted for using the tax rates and laws that have been substantially enacted as on the balance sheet date. Deferred tax assets are recognized 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 realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

b) Provision for Current Tax is made on the basis of taxable profits computed for the current accounting period (reporting period) in accordance with the Income Tax Act, 1961.

1.11 Premium on Prepayment of Term Loans :

Premium paid on prepayment of Term Loans is amortised over the unexpired tenure of the said Term Loan.

1.12 Provisions, Contingent Liabilities and Assets

Provisions are recognised when the company has a present obligation as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

1.13 Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which the asset is impaired and the impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest level of cash generating units.

1.14 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.

2. Principles of Consolidation:

The consolidated financial statements relate to Pantaloon Retail (India) Limited, the holding company, its majority owned subsidiaries and Joint Ventures (collectively referred to as Group). The consolidation of accounts of the Company and its subsidiaries has been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements". The financial statements of the parent and its subsidiaries are combined on a line-by-line basis and intra group balances, intra group transactions and unrealized profits or losses are fully eliminated.

In the consolidated financial statements, 'Goodwill' represents the excess of cost to the Company of its investment in the subsidiaries and/or joint ventures over its share of equity, at the respective dates on which the investments are made. Alternatively, where the share of equity as on the date of investment is in excess of cost of investment, it is recognized as 'Capital Reserve' in the consolidated financial statements.

Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the respective dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investment as stated above.

Investments in Joint Ventures are dealt with in accordance with Accounting Standard (AS-27) "Financial Reporting of Interests in Joint Ventures". The Company's interest in jointly controlled entities are reported using proportionate consolidation, whereby the Company's share of jointly controlled assets and liabilities and the share of income and expenses of the jointly controlled entities are reported as separate line items.

The financial statements of the subsidiaries and joint ventures used in the consolidation are drawn upto the same reporting date as of the Company i.e. year ended June 30, 2007, except for the companies listed below:

S. No.	Name of the Company	Relationship	Fiscal Year Ended
1	Future Generali India Insurance Company Limited	Subsidiary	31st March, 2007
2	Future Generali India Life Insurance Company Limited	Subsidiary	31st March, 2007
3	Pan India Restaurants Limited	Subsidiary	31st March, 2007
4	CIG Infrastructure Private Limited	Subsidiary	31st March, 2007
5	Future Capital Holdings Limited	Subsidiary	31st March, 2007
6	Kshitij Investment Advisory Company Limited (92% subsidiary of Future Capital Holdings Limited)	Subsidiary	31st March, 2007
7	Indivision Investment Advisors Limited (IIAL) (20% subsidiary of Future Capital Holdings Limited)	Subsidiary	31st March, 2007
8	Myra Mall Management Company Limited (100% subsidiary of Future Capital Holdings Limited)	Subsidiary	31st March, 2007
9	Ambit Investment Advisory Company Limited (100% subsidiary of Future Capital Holdings Limited)	Subsidiary	31st March, 2007

S. No.	Name of the Company	Relationship	Fiscal Year Ended
10	Future Finmart Limited (100% subsidiary of Future Capital Holdings Limited)	Subsidiary	31st March, 2007
11	Alpha Future Airport Retail Private Limited	Joint Venture	31st January, 2007
12	Gupta Infrastructure (India) Private Limited	Joint Venture	31st March, 2007
13	Planet Retail Holdings Private Limited	Joint Venture	31st March, 2007
14	Talwalkars Pantaloon Fitness Private Limited	Joint Venture	31st March, 2007
15	Kshitij CapitaLand Mall Management Company Private Limited (Formerly known as Satyam Mall Management Company Private Limited) (50% Joint Venture of Future Capital Holdings Limited)	Joint Venture	31st March, 2007

There are no significant transactions between these dates as specified above and the reporting date.

The accounts of the following subsidiaries has not been audited and have been consolidated on the basis of the accounts as certified by their Management:

Foot-Mart Retail India Limited, Future E-Commerce Infrastructure Limited, Pantaloon Food Product (India) Limited, Futurebazaar India Limited and CIG Infrastructure Private Limited

The accounts of the following joint ventures has not been audited and have been consolidated on the basis of the accounts as certified by their Management:

Alpha Future Airport Retail Private Limited, Gupta Infrastructure (India) Private Limited, Pan India Food Solutions Private Limited, Planet Retail Holdings Private Limited, Staples Future Office Products Private Limited and Talwalkars Pantaloon Fitness Private Limited.

3. Information on Subsidiaries, Joint Ventures and Associates:

(a) The subsidiary companies considered in the consolidated financial statements are:

S. No.	Name of the Company	Country of Incorporation	Percentage Holding
1	Convergem Retail (India) Limited	India	100.00%
2	Foot-Mart Retail India Limited	India	51.00%
3	Future Brands Limited	India	100.00%
4	Future E-Commerce Infrastructure Limited	India	84.99%
5	Future Generali India Insurance Company Limited	India	100.00%
6	Future Generali India Life Insurance Company Limited	India	100.00%
7	Future Knowledge Services Limited	India	100.00%
8	Future Logistic Solutions Limited	India	100.00%
9	Future Media (India) Limited	India	100.00%
10	Home Solutions Retail (India) Limited	India	73.32%
11	Home Lighting India Limited (51% subsidiary of Home Solutions Retail (India) Limited)	India	37.39%
12	Home Solutions Services (India) Limited (100% subsidiary of Home Solutions Retail (India) Limited)	India	73.32%
13	Futurebazaar India Limited	India	99.67%
14	Pan India Restaurants Limited	India	100.00%

S. No.	Name of the Company	Country of Incorporation	Percentage Holding
15	Pantaloon Food Product (India) Limited	India	100.00%
16	CIG Infrastructure Private Limited	India	51.00%
17	Future Capital Holdings Limited (FCH)	India	78.25%
18	Kshitij Investment Advisory Company Limited (92% subsidiary of Future Capital Holdings Limited)	India	71.99%
19	Indivision Investment Advisors Limited (IAL) (20% subsidiary of Future Capital Holdings Limited)	India	15.65% *
20	Myra Mall Management Company Limited (100% subsidiary of Future Capital Holdings Limited)	India	78.25%
21	Ambit Investment Advisory Company Limited (100% subsidiary of Future Capital Holdings Limited)	India	78.25%
22	Future Finmart Limited (100% subsidiary of Future Capital Holdings Limited)	India	78.25%

* In respect of IAL, FCH – subsidiary of Pantaloons Retail India Limited, had 100 % shareholding for the period from May 22, 2006 to March 23, 2007. The Company sold 80% of its shares on March 23, 2007. However, by virtue of control exercised on the Board of IAL by FCH, it's still a subsidiary as at March 31, 2007, after diluting the stake by 80%.

(b) Interests in Joint Ventures:

S. No.	Name of the Company	Country of Incorporation	Percentage Holding
1	Alpha Future Airport Retail Private Limited	India	50.00%
2	Gupta Infrastructure (India) Private Limited	India	19.38%
3	Pan India Food Solutions Private Limited	India	50.00%
4	Planet Retail Holdings Private Limited	India	49.00%
5	Supreme Tradelinks Private Limited (100% subsidiary of Planet Retail Holdings Private Limited)	India	49.00%
6	Staples Future Office Products Private Limited	India	37.50%
7	Talwalkars Pantaloon Fitness Private Limited	India	50.00%
8	Kshitij CapitaLand Mall Management Company Private Limited (Formerly known as Satyam Mall Management Company Private Limited) (50% Joint Venture of Future Capital Holdings Limited)	India	39.13%
9	Asian Retail Lighting Limited (50% Joint Venture of Home Solutions Retail (India) Limited)	India	36.66%

4. During the year the company has divested its investment in Off Beat Developer Private Limited (Associate).

5. **Contingent Liabilities not provided for:**

- 5.1 Guarantee outstanding Rs. 29.40 Crores (2006: Rs. 5.40 Crores)
- 5.2 Claims against the company not acknowledged as debts : Rs. 24.64 Crores (2006: Rs. 5.24 Crores)
- 5.3 Unused letter of credits Rs. 19.03 Crores (2006: Rs. 9.79 Crores)
- 5.4 Preference dividend in arrears Rs. 0.03 Lacs
- 5.5 Uncalled amount payable on conversion of fully convertible equity share warrants of M/s. Goldiam International Limited, convertible not later than October 23, 2007 and not provided for Rs. 40.47 Crores

6. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 84.56 Crores (2006: Rs. 36.39 Crores)
7. Future interest liabilities in respect of assets of the value of Rs. 1.59 Crores (2006: Rs. 0.75 Crores) acquired on hire purchase basis is Rs. 0.44 Crores. (2006: Rs. 0.01 Crores)
8. The company has taken some assets on Finance Lease basis. Future Lease Rental obligations in respect of these assets is Rs. 0.01 Crores (2006: Rs. 0.11 Crores). The Lease Rent payable not later than one year is Rs. 0.01 Crores (2006: Rs. 0.11 Crores) and that repayable later than one year but not later than 5 years is Rs. Nil. (2006: Rs. Nil)
9. The Company has entered into operating lease arrangements for the fixed assets. The future lease rental obligation in respect of these assets is Rs. 490.57 Crores (2006: Rs. 80.89 Crores). The Lease Rent payable not later than one year is Rs. 90.02 Crores (2006: Rs. 16.06 Crores), repayable later than one year but not later than 5 years is Rs. 263.27 Crores (2006: Rs. 60.76 Crores) and that repayable later than 5 years is Rs. 137.28 Crores (2006: Rs. 4.07 Crores).

10. Related Party Disclosure :

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

a) List of Related Parties

Associate Companies / Firm

1. Pantaloon Industries Limited;
2. Indus League Clothing limited;
3. KB Mall management Company limited;
4. PFH Entertainment Limited;
5. Manz Retail Private Limited;
6. Idiom Design & Consulting Limited;
7. Nishta Mall Management Company Private Limited;
8. Niyaman Mall Management Company Private Limited;
9. Acute Realty private Limited;
10. Dhruv Synthetics Pvt. Ltd.;
11. Anchor Malls Private Limited;
12. Varnish Trading Private Limited;
13. Bartraya Mall Management Company Private Limited;
14. Unique Malls Private Limited;
15. BLB Mall Management Company Private Limited;
16. ESES Commercials Private Limited;
17. Bansi Mall Management Company Private Limited;
18. Ojas Mall Management Company Private Limited;
19. Suhani Mall Management Company Private Limited;
20. Stripes Apparels Pvt. Ltd.
21. Liberty Shoes Limited
22. Sain Marketing Network Private Limited
23. Shendra Advisory Services Private Limited

Key Management Personnel and Relatives

Key Management Personnel

1. Mr. Kishore Biyani – Managing Director;
2. Mr. Gopikishan Biyani – Whole time Director;
3. Mr. Rakesh Biyani – Whole time Director;
4. Mr. Ved Prakash Arya – Director Operations & COO (till 31st March 2007);

b) Transaction with Related Parties**(Rs. in Crores)**

Nature of transactions	Associate Companies/ Joint Ventures	Key Management Personnel & Relatives
Sales and other Income	81.76	
Interest received	1.88	
Purchase of Raw Material, Finished Goods and Stores	111.71	
Purchase of Fixed Assets	0.60	
Expenditure on services and Others	62.96	
Managerial remuneration & Commission		6.04
Loans given	46.75	
Advances given	16.27	
Advance Taken	0.04	
Inter Corporate Deposit	23.63	
Deposit given	50.37	
Deposit Taken	35.76	
Investment	43.79	
Share Application Money paid	12.52	
Share Application Money received	1.98	
Outstanding balances as on 30/06/07		
Receivable	172.73	
Payable	9.29	

c) Joint Venture Information:

Joint Venture, as required by AS-27 "Financial Reporting of Interest in Joint Venture" is given below:

(i) Details of Joint Venture Interest

Name	Description of Interest	Country of Incorporation	Percentage of Interest As on 30.06.07
Alpha Future Airport Retail Private Limited	Equity	India	50.00%
Gupta Infrastructure (India) Private Limited	Equity	India	19.38%
Pan India Food Solutions Private Limited	Equity	India	50.00%
Planet Retail Holdings Private Limited	Equity	India	49.00%
Staples Future Office Products Private Limited	Equity	India	37.50%
Talwalkars Pantaloon Fitness Private Limited	Equity	India	50.00%
Kshitij CapitalLand Mall Management Company Private Limited (Formerly known as Satyam Mall Management Company Private Limited) (50% Joint Venture of Future Capital Holdings Limited)	Equity	India	39.13%
Asian Retail Lighting Limited (50% Joint Venture of Home Solutions Retail (India) Limited)	Equity	India	36.66%

(ii) Corporation's Interest in the Joint Venture

Name	As on	Assets (Rs. in Crores)	Liabilities (Rs. in Crores)	For the year ended	Income (Rs. in Crores)	Expenditure (Rs. in Crores)
Alpha Future Airport Retail Private Limited	31.01.2007	21.63	5.56	31.01.2007	-	-
Gupta Infrastructure (India) Private Limited	31.03.2007	12.73	8.99	31.03.2007	-	-
Pan India Food Solutions Private Limited	30.06.2007	17.13	10.71	30.06.2007	9.47	15.06
Planet Retail Holdings Private Limited	31.03.2007	62.01	48.85	31.03.2007	71.85	75.79
Staples Future Office Products Private Limited	30.06.2007	15.45	0.31	30.06.2007	0.64	0.76
Talwalkars Pantaloon Fitness Private Limited	31.03.2007	2.82	1.82	31.03.2007	0.04	0.03
Kshitij CapitaLand Mall Management Company Private Limited (Formerly known as Satyam Mall Management Company Private Limited) (50% Joint Venture of Future Capital Holdings Limited)	31.03.2007	1.93	0.61	31.03.2007	0.08	0.72
Asian Retail Lighting Limited (50% Joint Venture of Home Solutions Retail (India) Limited)	30.06.2007	2.31	1.43	30.06.2007	2.41	2.18

The Above figures are based on latest available unaudited accounts, except for Kshitij CapitaLand Mall Management Company Private Limited and Asian Retail Lighting Limited which were audited as on 31.03.2007 / 30.06.2007.

- 11.** Pan India Restaurants Limited (Pan India), a subsidiary of the company filed a petition with the Hon'ble High Court of Mumbai for sanction of scheme of Amalgamation ("The Scheme") under the provisions of Section 391 to Section 394 of the Companies Act, 1956 for amalgamation with Galaxy Entertainment Corporation Limited with effect from 16th October 2006 being the appointed date. The scheme was approved by the Hon'ble High Court vide its order dated 30th August 2007 and all assets & liabilities of Pan India have been taken over by Galaxy Entertainment Corporation Limited for a consideration discharged by issue of 29,37,935 (Twenty Nine Lacs Thirty Seven Thousand Seven Hundred & Ninety Five) equity shares to the Company. Since on the balance sheet date the investments was still in the name of Pan India, the same has been considered for consolidation.

12. Segment Report:

The company has redesigned & reorganised business group and organisation to work as a single retail group instead of lifestyle and value as it was done earlier. Accordingly, Segment Information is not being disclosed pursuant to the provision of Accounting Standard 17 on "Segment Reporting" issued by ICAI.

- 13.** "Effective June 30, 2007, a 50 % Joint Venture, GJ Future Fashions Ltd, incorporated in India, ceased to be a joint venture due to termination of JV agreement by the company. As at 30th June, 2006, the company in its CFS has recorded net losses amounting to Rs. 0.45 Crores. Since the Company no longer controls the JV, it has reversed all such losses during the year ended 30th June 2007." The same has been included in Other Income.

14. Earnings Per Share

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

		Units	2006-2007	2005-06
Profit after tax	A	Rs. In Crores	35.55	53.71
Weighted average number of equity shares (Face Value of Rs. 2/- each)	B	No.in Crores	13.78	12.68
Earning per share (Face Value of Rs. 2/- each)				
Basic & Dilutive (A/B)		Rs.	2.58	4.24

15. Deferred Tax Liability :

As per accounting Standard (AS – 22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India (ICAI), the deferred tax liability (DTL) comprises of the following :

Item	2006-2007 (Rs. In Crores)	2005-2006 (Rs. In Crores)
Deferred Tax Liability		
Related to Fixed Assets	59.19	29.80
Deferred Tax Asset		
Disallowance under the Income Tax Act, 1961	2.98	1.82
Related to Fixed Assets/ B/F Losses	2.97	0.09
Share in Jointly Controlled Entity	2.75	0.57
Provision for Deferred Tax (net)	50.49	27.32

16. Capital Reseve is shown in the balance sheet as net of goodwill of Rs. 7.59 Crores (2005-06: Rs.5.82 Crores)
17. For certain items, the Company and its Joint Ventures have followed different accounting policies. However, impact of the same is not material.
18. Figures pertaining to the subsidiary companies and joint ventures have been reclassified wherever necessary to bring them in line with the group financial statements.
19. Previous year's figures have been recast / restated wherever necessary.

As per our Report of even date attached

For NGS & CO.

Chartered Accountants

Navin.T.Gupta

Partner

Membership No.40334

Place : Mumbai

Date : 26th September, 2007

For and on behalf of Board of Directors

Kishore Biyani

Managing Director

Shailesh Haribhakti

Director

Anil Harish

Director

Rakesh Biyani

Wholetime Director

S. Doreswamy

Director

Bala Deshpande

Director

Gopikishan Biyani

Wholetime Director

Dr. Darlie O. Koshy

Director

K. K. Rathi

Chief Financial Officer

Consolidated Cash Flow Statement for the Year ended 30th June, 2007
(Pursuant to Clause 32 of the Listing Agreement)

	2006-2007 (Rs. in Crores)	2005-2006 (Rs. in Crores)
A Cash Flow from Operating Activities		
Net Profit Before Tax and Extraordinary items	79.82	82.16
Adjustments for :		
Depreciation	48.24	22.42
Preliminary & capital issue exp w/o	0.92	0.17
Provision for Doubtful Debts/advances	0.73	0.03
Sundry Balance Written off (Net)	0.56	-
Amortisation of Goodwill	3.25	-
Interest (Net)	100.08	35.53
Dividend Income	(2.08)	(0.01)
(Profit) / Loss on sale of shares	(89.46)	-
(Profit) / Loss on sale of asset	(0.09)	0.10
Operating profit before working capital changes	141.97	140.40
Adjustments for :		
Trade and other receivable	(40.77)	(15.96)
Inventories	(497.31)	(293.76)
Loans & advances	(151.57)	(124.20)
Trade payables	217.45	69.52
Other payables	3.65	2.44
Cash generated from operations	(326.58)	(221.56)
Share of Minority Interest	50.70	-
Direct taxes paid	(42.36)	(10.78)
Preliminary / Capital Issue Expenses paid	(1.28)	-
Cash flow before Extraordinary items	(319.52)	(232.34)
Extraordinary items	(0.24)	(0.07)
Net Cash from Operating Activities	(319.76)	(232.42)
B Cash Flow From Investing Activities		
Sale / (Purchase) of Fixed Assets	(544.96)	(147.16)
(Increase)/Decrease in capital work - in - progress	(76.79)	(71.29)
Share Application Money	(12.70)	(4.98)
Sale / (Purchase) of Investments	150.47	(19.51)
Inter Corporate Deposits	(13.23)	(22.07)
Deposit given-leased premises	(166.69)	(111.67)
Dividend Income	2.08	0.01
Deposits Made	(13.02)	(7.39)
Net Cash used in Investing Activities	(674.84)	(384.06)
C Cash Flow from Financing Activities		
Payment of Dividend and Dividend Tax	(7.66)	(6.27)
Working Capital from Banks/Institutions	(33.38)	88.24
Proceeds from Issue of Share Capital (Net of Expenses)	538.77	265.69
Proceeds from Issue of Debenture	200.00	-
Proceeds from Issue of Commercial Paper	(10.00)	25.00
Warrant Application money received	-	6.65
Proceeds from long term borrowing	415.62	74.12
Proceeds from Other Borrowings	188.10	204.15
Interest (Net)	(100.08)	(35.42)
Net Cash from financing activities	1,191.37	622.16

	2006-2007 (Rs. in Crores)	2005-2006 (Rs. in Crores)
Net Cash used in Cash and Cash Equivalents (A+B+C)	196.77	5.67
Cash & Cash Equivalents (Opening balance)	38.74	33.08
Cash & Cash Equivalents (Closing balance)	235.51	38.74
Cash and Cash Equivalents include:		
Cash in Hand	9.54	4.18
Foreign currency on hand	0.00	-
Balance with Scheduled Banks :	-	-
in Current Accounts (including in transit)	90.55	27.20
in Fixed Deposit Account	120.45	6.23
Dividend Account	0.21	0.17
Share in Jointly Controlled entities	14.76	0.96
	235.51	38.74

Notes :

- 1 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 .
- 2 Previous year's figures have been regrouped and rearranged wherever necessary

As per our Report of even date attached

For NGS & CO.

Chartered Accountants

Navin.T.Gupta

Partner

Membership No.40334

Place : Mumbai

Date : 26th September, 2007

For and on behalf of Board of Directors**Kishore Biyani**

Managing Director

Shailesh Haribhakti

Director

Anil Harish

Director

Rakesh Biyani

Wholetime Director

S. Doreswamy

Director

Bala Deshpande

Director

Gopikishan Biyani

Wholetime Director

Dr. Darlie O. Koshy

Director

K. K. Rathi

Chief Financial Officer

AUDITOR'S CERTIFICATE

We have examined the attached Consolidated Cash Flow Statement for the year ended 30th June, 2007. This statement has been prepared by the Company in accordance with the requirements of the listing agreement (Clause 32) entered with the Stock Exchanges 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 26th September, 2007 to the Members of the Company.

For NGS & CO.,

Chartered Accountants

Navin T.Gupta

Partner

Membership No.40334

Place : Mumbai

Date : 26th September, 2007

Notes

Awards & Recognition 2006-07

**WE ARE DISCOVERING INDIA
THE WORLD IS DISCOVERING US**

Europe

*Emerging Market Retailer of the Year 2007
by World Retail Congress, Barcelona*

India

*Business Leadership Award in Retail
by NDTV, New Delhi*



**Reader's Digest Trusted Brands
Platinum Award**

**CNBC Awaaz Most Preferred
Large Food & Grocery Supermarket**

**Images Best Retail Destination &
Best Value Retail Store**



**PC World Indian Website
Award-Best Indian Website
in Shopping Category**



Talent Management

Adjudged among 15 Best Employers in India by Hewitt International

Governance

Best Managed MidCap Company in India by AsiaMoney

Registered Office
Knowledge House, Shyam Nagar
Off Jogeshwari-Vikhroli Link Road
Jogeshwari (E), Mumbai 400 060, India
P +91 22 6644 2200 F +91 22 6644 2201
www.pantaloon.com