

SORAB S. ENGINEER & CO. (Regd.)
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARVIND BEAUTY BRANDS RETAIL PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying standalone financial statements of **ARVIND BEAUTY BRANDS RETAIL PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the period ended 31st March, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016, and its profit and its cash flows for the period ended on that date.

Report on Other Legal and Regulatory Requirements

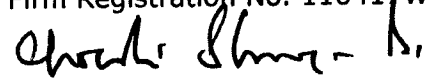
1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) 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.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the written representations received from the directors as on 31st March, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".



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- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company did not have any pending litigations;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amount, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Sorab S. Engineer & Co.**
Chartered Accountants
Firm Registration No. 110417W



CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Ahmedabad

SORAB S. ENGINEER & CO. (Regd.)

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

Re: ARVIND BEAUTY BRANDS RETAIL PRIVATE LIMITED

Referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" of our Independent Auditor's Report of even date,

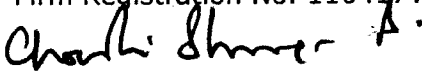
- (i) (a) The Company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) As explained to us, the fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
- (c) The Company does not hold any immovable properties, hence requirement of this sub-clause is not applicable.
- (ii) As explained to us, physical verification of inventory has been conducted at reasonable intervals by the management and the discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the Company, and the same have been properly dealt with in the books of account.
- (iii) The Company has not granted secured / unsecured loans to Companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Hence, requirements of clause (iii) of paragraph 3 of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not advanced any loan or given any guarantee or provided any security or made any investment covered under section 185 and 186 of the Act. Hence, requirements of clause (iv) of paragraph 3 of the order are not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and rules framed thereunder. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vi) The provisions of maintenance of cost records specified by the Central Government under sub section (1) of section 148 of the Companies Act, 2013 mentioned in clause (vi) of paragraph 3 of the order are not applicable.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Duty of Custom, Duty of Excise, Value added tax, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of outstanding statutory dues were in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no amounts payable as on March 31, 2016 on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.



SORAB S. ENGINEER & CO. (Regd.)

- (ix) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer. However, the term loans obtained during the year were, *prima facie*, applied by the Company for the purpose for which they were raised, other than temporary deployment pending application.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not paid any managerial remuneration during the year under review. Consequently, requirements of Clause (xi) of paragraph 3 of the order are not applicable.
- (xii) The Company is not a Nidhi Company. Consequently, requirements of clause (xii) of paragraph 3 of the order are not applicable.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, all transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the Financial Statements etc. as required by the applicable accounting standards.
- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Consequently, requirements of clause (xiv) of paragraph 3 of the order are not applicable.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the nature of the business, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Sorab S. Engineer & Co.**
Chartered Accountants
Firm Registration No. 110417W



CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Ahmedabad

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF ARVIND BEAUTY BRANDS RETAIL PRIVATE LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Arvind Beauty Brands Retail Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For **Sorab S. Engineer & Co.**
Chartered Accountants
Firm Registration No. 110417W


CA. Chokshi Shreyas B.

Partner
Membership No. 100892

Ahmedabad

Arvind Beauty Brands Retail Private Limited

Balance Sheet	Note	Amount in Rs.
		As at March 31, 2016
Equity and Liabilities		
Shareholders' funds		
Share Capital	3	33,183,330
Reserves and Surplus	4	278,340,332
Share Application Money pending allotment		100
Non-current liabilities		
Long Term Provisions	5	1,912,902
Deferred Tax Liability	6	510,876
Current liabilities		
Short Term Borrowings	7	40,525,699
Trade Payables	8	215,849,751
Other Current Liabilities	9	14,519,332
Short Term Provisions	5	135,003
Total		584,977,325
Assets		
Non-current assets		
Fixed Assets		
Tangible Assets	10	144,322,768
Intangible Assets	11	30,468,315
Capital Work-in-progress		2,341,922
Deferred Tax Assets (Net)	6	-
Long Term Loans and Advances	12	119,015,167
Other Non Current Assets	13	250,000
Current assets		
Inventories	14	244,632,518
Trade Receivables	15	3,749,149
Cash and Bank Balances	16	13,809,849
Short Term Loans and Advances	12	26,385,481
Other Current Assets	13	2,156
Total		584,977,325
Significant Accounting Policies	2	

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Sorab S. Engineer & Co.**

Firm Registration No. 110417W
Chartered Accountants

CA. Chokshi Shreyas B.
Partner

Membership No.100892
Ahmedabad

(Signature)
Director

(Signature)
Director

Arvind Beauty Brands Retail Private Limited

Statement of Profit and Loss for the period April 24, 2015 to March 31, 2016

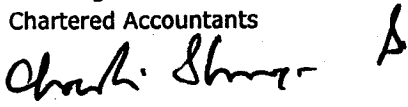
Amount in Rs.

	Note	Period ended March 31, 2016
Revenue from operations	18	271,752,463
Other Income	19	410,367
Total Revenue		272,162,830
Expenses:		
Purchases of Stock in Trade	20	385,613,246
Changes in inventories of stock-in-trade	21	(244,632,518)
Employee benefits expense	22	39,265,722
Finance costs	23	734,938
Depreciation and amortization expense	24	20,395,776
Other expenses	25	108,851,028
Total expenses		310,228,192
Profit/(Loss) before exceptional and extraordinary items and tax		(38,065,362)
Exceptional items		-
Profit/(Loss) before extraordinary items and tax		(38,065,362)
Extraordinary Items		-
Profit/(Loss) before tax		(38,065,362)
Tax expense:		
Deferred tax		510,876
Profit/(Loss) for the year		(38,576,238)
Earnings per equity share	27	
(Nominal Value per Share Rs. 10/-)		
Basic and Diluted		
Before Exceptional Item		(20.12)
After Exceptional Item		(20.12)
Significant Accounting Policies	2	

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Sorab S. Engineer & Co.**

Firm Registration No. 110417W
Chartered Accountants


CA. Chokshi Shreyas B.
Partner
Membership No.100892
Ahmedabad



Director


Director

Arvind Beauty Brands Retail Private Limited

Cash Flow Statement

Amount in Rs.

		Period ended	
		March 31, 2016	
A	Cash Flow From Operating Activities		
	Profit/(Loss) Before taxation		(38,065,362)
	<i>Adjustments for:</i>		
	Depreciation /Amortization	20,395,776	
	Interest Income	(8,211)	
	Interest Expenses	734,938	
	Foreign Exchanges (Gain)/Loss	510,783	
		21,633,286	
	Operating Profit before Working Capital Changes		
	Working Capital Changes:		
	Changes in Inventories	(244,632,518)	
	Changes in trade payables	215,849,751	
	Changes in other current liabilities	14,519,332	
	Changes in Long term provisions	1,912,902	
	Changes in Short term provisions	135,003	
	Changes in Loans and advances	(100,463,199)	
	Changes in trade receivables	(3,749,149)	
	Changes in Other Bank Balances	(250,000)	
	Changes in other assets	(2,156)	
		(116,680,034)	
	Net Changes in Working Capital		
	Cash Generated from Operations	(95,046,748)	
	Direct Taxes paid (Net of Income Tax refund)	(40,239)	
	Net Cash flow from Operating Activities		(133,152,349)
B	Cash Flow from Investing Activities		
	Purchase of tangible/intangible assets	(197,528,781)	
	Changes in Capital Advances	(44,897,210)	
	Interest Income	8,211	
	Net cash flow from Investing Activities		(242,417,780)
C	Cash Flow from Financing Activities		
	Issue of Equity Shares	350,099,900	
	Share Application Money pending Allotment	100	
	Foreign Exchange Changes	(510,783)	
	Changes in short term borrowings	40,525,699	
	Interest Paid	(734,938)	
	Net Cash flow from Financing Activities		389,379,978
	Net Increase/(Decrease) in cash & cash equivalents		13,809,849
	Cash & Cash equivalents at the beginning of the period		-
	Cash & Cash equivalents at the end of the period		13,809,849

Particulars	As at	
	Mar 31, 2016	
Cash and cash equivalents comprise of: (Note 16)		
Cash on Hand		-
Balances with Banks		13,809,849
Total		13,809,849

As per our report of even date attached
For Sorab S. Engineer & Co.
 Firm Registration No. 110417W
 Chartered Accountants

Chokshi Shreyas B.
CA. Chokshi Shreyas B.
 Partner
 Membership No.100892
 Ahmedabad

Kamran

Director

Director

Arvind Beauty Brands Retail Private Limited

Notes to the financial statements

1. COMPANY BACKGROUND

Arvind Beauty Brands Retail Private Limited (ABBRPL) is engaged in the business of Retailing of Cosmetic products and Accessories of SEPHORA and other partner Brands. SEPHORA is a French chain of Cosmetics stores which offers beauty products including make-up, fragrance and hair care. ABBRPL has some of the best known international brands apart from SEPHORA, like MUFE, BOSCHIA, DIOR, CLINIQUE, STILA, ESTEE LAUDER, LANCOME.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on accrual basis, except for certain tangible assets which are being carried at revalued amounts. Indian GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014 and the provisions of the Act (to the extent notified). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Act. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

(B) USE OF ESTIMATES

The preparation of Financial Statements in conformity with Indian GAAP requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialize.

(C) REVENUE RECOGNITION

Retail sales and revenues are recognised on delivery of the merchandise to the customer, when the property in the goods is transferred for a price, when significant risks and rewards have been transferred and no effective ownership control is retained.



The property in the merchandise of third party consignment stock does not pass to the Company. Since, however, the sale of such stock forms a part of the activities of the Company's departmental stores, the gross sales values and cost of the merchandise are displayed separately in the Statement of Profit and Loss.

Sales are stated net of returns, discount, Sales Tax and Value Added Tax.

(D) INVENTORIES

Inventories are valued at the lower of cost and net realizable value.

(E) FIXED ASSETS

Tangible Assets

Tangible Fixed Assets are stated at acquisition cost, net of accumulated depreciation.

The addition to the fixed assets is stated at their original cost of acquisition less accumulated depreciation. Cost comprises of all costs incurred to bring the assets to their location and working condition and includes all expenditure incurred up to the date of opening new stores to the extent they are attributable to the new store.

Losses arising from the retirement of, and gains or losses from disposal of fixed assets are recognised in the Statement of Profit and Loss.

Intangible Assets

Intangible assets acquired are stated at their fair value, less accumulated amortisation and impairment losses. An intangible asset is recognised, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its value/cost can be reliably measured.

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

(F) DEPRECIATION/AMORTISATION

Depreciation on Tangible Assets

The carrying value of the tangible fixed assets as on April 1, 2015 is depreciated over remaining useful life of the assets.

Depreciation on addition to tangible fixed assets is provided on the straight line method over useful lives of the assets based on internal assessment.

Depreciation for assets purchased / sold during a period is proportionately charged for the period of use.

The management estimates the useful lives for the tangible fixed assets as follows:

Assets	Useful Life (in yrs)
Furniture & Fixture	6
Leasehold Improvements	6
Plant & Machinery	5

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The management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Amortisation of Intangible Assets

Value of License Brands acquired has been amortized over the period of five years.

Software is depreciated over management estimate of its useful life of 3 years.

(G) IMPAIRMENT OF ASSETS

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Statement of profit and loss.

(H) FOREIGN CURRENCY TRANSACTIONS

Initial Recognition:

On initial recognition, all foreign currency transactions are recorded at the exchange rate prevailing at the time of the transaction.

Subsequent Recognition:

As at the reporting date, all monetary assets and liabilities in foreign currency have been restated at the year end rate. The difference arising as a result has been accounted as income/ expense.

(I) RETIREMENT BENEFITS

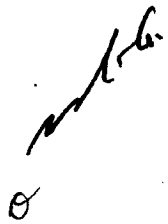
The Company has Defined Contribution Plans for post employment benefits namely Provident Fund. The Company's contributions thereto is charged to revenue every year. The Company's Contribution to State Plans namely Employee's State Insurance Fund is charged to revenue every year.

The Company has Defined Benefit Plans namely leave encashment / compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end and incremental liability, if any, is provided for in the books. The actuarial valuation is done based on Projected Unit Credit Method. Gratuity scheme is unfunded.

Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the statement of Profit and Loss as income or expense.

(J) BORROWING COST

Borrowing costs include interest, fees and other charges incurred in connection with the borrowing of funds and considered as revenue expenditure and charged to profit and loss for the year in which it is incurred.



(K) LEASE ACCOUNTING

Lease Rentals for assets acquired under operating lease are recognized as an expense in the statement of Profit and Loss on a straight line basis over the lease term.

(L) TAXES ON INCOME

Tax expense consists of both current as well as deferred tax liability. Current tax represents amount of income tax payable including the tax payable u/s 115JB, if any, in respect of taxable income for the year.

Minimum Alternate Tax Credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax within the specified period.

Deferred tax is recognized on timing difference between the accounting income and the taxable income for the year that originates in one period and is capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(M) EARNING PER SHARE

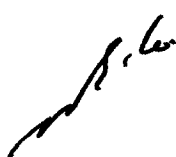
The Company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

(N) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are not recognized but are disclosed in the accounts by way of a note.

Contingent assets are neither recognized nor disclosed in the financial statements.



Arvind Beauty Brands Retail Private Limited

3 Share Capital

Amount in Rs.
As at
March 31, 2016

Authorised 50,00,000 Equity Shares Par Value of Rs.10/- per share	50,000,000
	50,000,000
Issued 33,18,333 Equity Shares Par Value of Rs.10/- per share	33,183,330
	33,183,330
Subscribed and fully paid up 33,18,333 Equity Shares Par Value of Rs.10/- per share fully paid up	33,183,330
Total	33,183,330

a Reconciliation of Number of Shares

Particulars	As at	
	March 31, 2016	
	No. of Shares	Amount in Rs.
Balance at the beginning of the year	-	-
Add: Shares issued during the year	3,318,333	33,183,330
Balance at the end of the year	33,18,333	33,183,330

b Rights, Preferences and Restrictions attached to Equity Shares

The Company has one class of shares referred to as equity shares having a par value of Rs. 10 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c Shares held by Holding Company

Particulars	As at
	March 31, 2016
Holding Company - Arvind Brands and Retail Limited	3,318,333

d Details of Shares held by Shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at
	March 31, 2016
Holding Company - Arvind Brands and Retail Limited	3,318,333 100.00%

Arvind Co.

Arvind Beauty Brands Retail Private Limited

4 Reserves and Surplus

Amount in Rs.	
As at	
March 31, 2016	
Securities Premium Account	
Addition during the period	316,916,570
Balance at the end of the year	316,916,570
Surplus in Statement of Profit and Loss	
Profit/(Loss) for the period	(38,576,238)
Balance at the end of the year	(38,576,238)
Total	278,340,332

5 Provisions

	Amount in Rs.	
	Long Term	Short Term
	As at	As at
	March 31, 2016	March 31, 2016
Provision for Employee Benefits		
Leave Encashment	1,150,372	133,553
Gratuity	762,530	1,450
Total	1,912,902	135,003

6 Deferred Tax Liability (Net)

Amount in Rs.	
As at	
March 31, 2016	
Deferred Tax Liability	
Fixed Assets	1,143,679
Deferred Tax Asset	
Expenditure allowable on payment basis	632,803
Deferred Tax Liability (Net)	510,876

Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws. Based on prudence, deferred tax asset is not recognized on business loss incurred in current year.

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Arvind Beauty Brands Retail Private Limited

7 Short Term Borrowings

Amount in Rs.
As at
March 31, 2016

Unsecured	
Intercorporate Deposits From Related Parties	40,525,699
Total	40,525,699

8 Trade Payables

Amount in Rs.
As at
March 31, 2016

(i) Total outstanding dues of micro enterprises and small enterprises (Refer Note a)	
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	215,849,751
Total	215,849,751

a The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 and hence disclosures as required under Section 22 of The Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 regarding:

- (a) Principal amount and the interest due thereon remaining unpaid to any suppliers as at the end of accounting year;
- (b) Interest paid during the year;
- (c) Amount of payment made to the supplier beyond the appointed day during accounting year;
- (d) Interest due and payable for the period of delay in making payment;
- (e) Interest accrued and unpaid at the end of the accounting year; and
- (f) Further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise.

have not been given.

The Company is making efforts to get the confirmations from the suppliers as regard to their status under the said Act.

9 Other Current Liabilities

Amount in Rs.
As at
March 31, 2016

Statutory dues including Provident Fund and Tax deducted at Source	4,053,504
Payable in respect of Capital Goods	5,480,742
Payable in respect of employees	4,985,086
Total	14,519,332

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Arvind Beauty Brands Retail Private Limited

10 Tangible Assets

Particulars	Gross Block				Depreciation			Amount in Rs.	
	Additions	Disposals	As on 31.03.2016	For the year	Deductions	As on 31.03.2016	Net Block		
							As on 31.03.2016	As on 31.03.2016	
Own Assets									
Plant and Equipments	2,195,803	-	2,195,803	1,200	-	1,200		2,194,603	
Furniture and Fixtures	70,613,868	-	70,613,868	6,886,306	-	6,886,306		63,727,562	
Office Equipments	5,942,213	-	5,942,213	890,899	-	890,899		5,051,314	
Leasehold Improvements	79,164,000	-	79,164,000	8,575,136	-	8,575,136		70,588,864	
Data Processing Equipments	3,037,476	-	3,037,476	277,051	-	277,051		2,760,425	
Total	160,953,360	-	160,953,360	16,630,592	-	16,630,592		144,322,768	

11 Intangible Assets

Particular	Gross Block			Amortization			Amount in Rs.	
	Additions	Deductions	As on 31.03.2016	For the year	Deductions	As on 31.03.2016	Net Block	
							As on 31.03.2016	As on 31.03.2016
License Brands	32,301,033	-	32,301,033	3,643,022	-	3,643,022		28,658,011
Computer Software	1,932,466	-	1,932,466	122,162	-	122,162		1,810,304
Total	34,233,499	-	34,233,499	3,765,184	-	3,765,184		30,468,315
TOTAL	195,186,859	-	195,186,859	20,395,776	-	20,395,776		174,791,083

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Arvind Beauty Brands Retail Private Limited

12 Loans and Advances

(Unsecured, Considered good unless otherwise stated)

	Long Term	Short Term
	As at	As at
	March 31, 2016	March 31, 2016
Capital Advances	44,897,210	-
Security Deposits	74,077,718	7,925,167
Loans to Employees	-	30,000
Advances recoverable in cash or in kind or for value to be received		
Considered Good		
From Related parties	-	11,576,398
From Others	-	6,431,317
Considered Doubtful	-	-
		18,007,715
Less: Provision for Doubtful Advances	-	-
		18,007,715
Prepaid Expenses	-	422,599
Advance Income Tax	40,239	-
Total	119,015,167	26,385,481

13 Other Assets

	Non Current	Current
	As at	As at
	March 31, 2016	March 31, 2016

Non-Current Bank Balances (Note 16)	250,000	-
Interest Accrued	-	2,156
	-	-
Total	250,000	2,156

14 Inventories

	Amount in Rs.
	As at
	March 31, 2016

Stock-in-trade - Cosmetics & Accessories	244,632,518
Total	244,632,518

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Arvind Beauty Brands Retail Private Limited

15 Trade Receivables

(Unsecured, considered good unless otherwise stated)

Amount in Rs.
As at
March 31, 2016

Outstanding for a period exceeding six months from the date they are due for payment	-
Others	3,749,149
Total	3,749,149

16 Cash and Bank Balances

Non Current	Current
As At	As At
March 31, 2016	March 31, 2016

Cash and Cash Equivalents:		
Cash on Hand	-	-
Balances with Banks		
In Current Account	-	13,809,849
	-	13,809,849
Other Bank Balances:		
In Deposits Accounts		
Held as Margin Money	250,000	-
(Under lien with bank as Security for Guarantee Facility)		
	250,000	-
Amount disclosed under the head "Other Non Current Assets" (Note 16)	250,000	
Total	-	13,809,849

17 Capital and Other Commitments

Amount in Rs.
As at
March 31, 2016

Capital Commitments	
Estimated amount of contracts remaining to be executed on capital account and not provided for	20,979,188
Other Commitments	-

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Arvind Beauty Brands Retail Private Limited

18 Revenue from Operations

Amount in Rs.
Period ended
March 31, 2016

Sale of Products	
Cosmetics & Accessories	271,752,463
Total	271,752,463

19 Other Income

Amount in Rs.
Period ended
March 31, 2016

Interest Income	10,367
Miscellaneous Income	400,000
Total	410,367

20 Purchase of Stock-in-Trade

Amount in Rs.
Period ended
March 31, 2016

Cosmetics & Accessories	385,613,246
Total	385,613,246

21 Changes in Inventories of Stock-in-Trade

Amount in Rs.
Period ended
March 31, 2016

(Increase)/Decrease in stocks	
Stock at the end of the year	
Stock in Trade - Cosmetics & Accessories	244,632,518
(Increase)/Decrease in stocks	(244,632,518)

22 Employee Benefits Expense

Amount in Rs.
Period ended
March 31, 2016

Salaries and Wages	36,098,637
Contribution to Provident Fund and Other Funds	2,024,989
Staff Welfare Expenses	1,142,096
Total	39,265,722

Disclosure as required by Accounting Standard on Employee Benefits (AS 15):

Defined Benefit Plans

(a) Leave Encashment/Compensated Absences

Salaries and Wages includes Rs. 12,85,833 towards provision made as per actuarial valuation in respect of accumulated leave encashment / compensated absences.

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(b) Contribution to Gratuity Funds

The details of the Company's Gratuity Liability (Unfunded) for its employees are given below which is certified by the actuary and relied upon by the auditors:

Amount in Rs.
Period ended
March 31, 2016

Change in the Benefit Obligations :	
Liability at the beginning of the year	-
Interest Cost	-
Current Service Cost	734,297
Benefits Paid	-
Actuarial Loss/(Gain)	29,683
Liability at the end of the year	763,980
Fair Value of Plan Assets :	
Fair Value of Plan Assets at the beginning of the year	-
Expected Return on Plan Assets	-
Contributions	-
Benefits Paid	-
Actuarial gain/(loss) on Plan Assets	-
Fair Value on Plan Assets at the end of the year	-
Total Actuarial (Loss) /Gain to be recognized	(29,683)
Actual Return on Plan Assets :	
Expected Return on Plan Assets	-
Actuarial gain/(loss) on Plan Assets	-
Actual Return on Plan Assets	-
Amount Recognized in the Balance Sheet :	
Liability at the end of the year	763,980
Fair Value of Plan Assets at the end of the year	-
Amount recognized in the Balance Sheet under "Provision for Employee Benefits "	763,980
Expense Recognized in Statement of Profit and Loss under "Employee Benefit Expense"	
Interest Cost	-
Current Service Cost	734,297
Expected Return on Plan Assets	-
Net Actuarial loss/(gain) to be recognized	29,683
Expense recognized in Statement of Profit and Loss under "Employee Benefit Expense"	763,980
Reconciliation of the Liability Recognized in the Balance Sheet :	
Opening Net Liability	-
Expense Recognized	763,980
Contribution by the Company	-
Amount recognized in the Balance Sheet under "Provision for Employee Benefits "	763,980

Based on the above allocation and the prevailing yields on these assets, the long-term estimate of the expected rate of return on fund assets has been arrived at.

Principal Assumptions:

Period ended
March 31, 2016

Discount Rate (%)	7.98
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23 Finance Costs

Amount in Rs.
Period ended
March 31, 2016

Interest On Short Term Borrowings	734,938
Total	734,938

24 Depreciation and Amortization Expense

Amount in Rs.
Period ended
March 31, 2016

Depreciation on Tangible assets	1,66,30,592
Amortization on Intangible assets	37,65,184
Total	2,03,95,776

25 Other Expenses

Amount in Rs.
Period ended
March 31, 2016

Power and fuel	5,429,040
Insurance	202,444
Shared services	2,138,625
Printing, Stationary & Communication	517,197
Rent	24,004,147
Commission, Brokerage and Discounts	24,024,424
Rates and taxes	1,560,684
Repairs to Others	9,081,787
Royalty on Sales	6,223,432
Freight, Insurance and Clearing Charges	5,374,845
Octroi	5,314,653
Legal and Professional Fees	3,252,897
Housekeeping Charges	1,907,406
Security Charges	1,777,746
Conveyance and Travelling Expenses	3,741,755
Advertisement and Publicity	8,232,524
Charges for Credit Card Transactions	2,122,929
Contract Labour Charges	1,215,658
Payments to the auditor as	
(a) Auditor	800,000
(b) For taxation matters	300,000
(c) For reimbursement of expenses	45,000
Foreign Exchange Loss	510,783
Staff Training and Recruitment Expense	171,002
Bank Charges	499,467
Miscellaneous expenses	402,583
Total	108,851,028

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26 CIF Value of Imports

Amount in Rs.
Period ended
March 31, 2016

Capital Goods	6,726,614
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27 Expenditure In Foreign Currency

Amount in Rs.
Period ended
March 31, 2016

Travel	334,045
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28 Lease Rent:

Rent expense includes lease rental payments towards office premises, showrooms and other facilities. Such lease agreements are generally for a period of 11 to 108 months with the option of renewal against increased rent.

Amount in Rs.
Period ended
March 31, 2016

The particulars of operating leases are as follows:

(a) Lease Payment recognised in the Statement of Profit and Loss	
Minimum Lease Payments	24,004,147
Contingent Rent	13,719,424
(b) Future Minimum lease payments obligation on non-cancellable operating leases :	
Not later than one year	94,761,895
Later than one year and not later than five years	96,683,206
Later than five years	-

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Arvind Beauty Brands Retail Private Limited

29 Segment Reporting

The Company is primarily engaged in the business of retail trade of Cosmetics & Accessories through retail and departmental store facilities, which in the context of Accounting Standard 17 on 'Segment Reporting', constitutes a single reportable primary business segment.

Secondary Segment:

The risk and returns of the Company are not influenced by geographical location of its operations or by location of its customers. Both are situated in India.

30 Earning Per Share (EPS)

		Amount in Rs.
		Period ended
		March 31, 2016
Profit/(Loss) before exceptional item available to Equity Shareholder	Rs.	(38,576,238)
Profit/(Loss) after exceptional item available to Equity Shareholder	Rs.	(38,576,238)
Weighted average no. of Equity Shares for Basic/Diluted EPS	No.	1,917,594
Nominal value of Equity Shares	Rs.	10
Basic / Diluted Earning per Equity Share	Rs.	(20.12)

(A) Weighted average number of Equity Shares

	Period ended
	March 31, 2016
Opening No. of Shares for Basic EPS	-
Weighted average number of shares issued during the year	1,917,594
Weighted average number of shares considered for Calculating EPS	1,917,594

Arvind Beauty Brands Retail Private Limited

31 Related Party Disclosures:

As per the Accounting Standard on "Related Party Disclosures" (AS 18) the related parties of the Company are as follows:

a List of Related Parties and Nature of Relationship:

Arvind Limited Arvind Brands and Retail Limited Arvind Lifestyle Brands Limited	Ultimate Holding Company Holding Company Fellow Subsidiary
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Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

b Related Party Transactions :

Nature of Transactions	Amount in Rs.	
	Year ended	
	March 31, 2016	
Shared Services Arvind Lifestyle Brands Limited	8,914,501	
Purchase of an Asset Arvind Lifestyle Brands Limited	1,272,222	
Loan Taken (Net) Arvind Limited	40,000,000	
Interest Expense	584,109	
Issue of Equity Shares Arvind Brands and Retail Limited	350,099,900	
Application Money Received Pending Allotment Arvind Brands and Retail Limited	100	
Receivable in respect of Current Assets Arvind Lifestyle Brands Limited	11,576,398	
Payable in respect of Loan Arvind Limited	40,525,699	

c Transactions and Balances:

Particulars	Ultimate Holding	Holding Company	Fellow Subsidiary
	Year ended		
	March 31, 2016		
Transactions:			
Purchase of Fixed Assets	-	-	1,272,222
Shared Services	-	-	8,914,501
Loan taken(net)	40,000,000	-	-
Interest Expense	584,109	-	-
Issue of Equity shares	-	350,099,900	-
Balances as at year end:			
Receivable in respect of Current Assets	-	-	11,576,398
Payable in respect of Loan	40,525,699	-	-
Share Application Money pending Allotment	-	100	-

Arvind Beauty Brands Retail Private Limited

32 Acquisition of New Brand:

During the year, the Company has acquired the business of procurement, marketing and management of the distribution and sale of products under the brand name of "Sephora" in India as a going concern for a lump sum consideration. The Company has acquired Fixed Assets, Stocks and Intangible Asset in the form of License Brand.

33 Receivables, Payables and Loans and Advances include certain accounts which are subject to confirmation/reconciliation and consequential adjustments if any, the effect of which is not ascertainable.

As per our report of even date attached

For Sorab S. Engineer & Co.
Firm Registration No. 110417W
Chartered Accountants

Chokhi Shreyas B.

CA Chokshi Shreyas B.
Partner
Membership No. 100892
Ahmedabad

Director

Director

Director

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