



NOTICE

Notice is hereby given that the 9th (Ninth) Annual General Meeting of the Members of Liberty Retail Revolutions Limited (the Company) will be held on Monday, 24th September, 2012 at 10.00 a.m. at its Registered Office 4/42, Punjabi Bagh New Delhi-110026 to transact the following business: -

ORDINARY BUSINESS

1. To consider & adopt the Audited Statement of Profit & Loss for the financial year ended 31st March, 2012 and Balance Sheet as at that date alongwith the Reports of the Board of Directors & Auditors thereon.
2. To appoint a Director in place of Sh. Sunil Bansal, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sh. Ashish Soni, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Pardeep Tayal & Co., Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By order of the Board
For **Liberty Retail Revolutions Ltd.**

sd/ -

Anupam Bansal
Chairman of the Meeting

Place: New Delhi
Dated: Tuesday, 28th August, 2012

REVOLUTIONS

Liberty Retail Revolutions Ltd.

Corporate Office: Building No. 8, Tower-B, 2nd Floor, DLF Cyber City, Phase-II, Gurgaon-122 002, Haryana, India
Tel.: 91-124-4616200, 3856200. Fax: +91-124-4616222. E-mail: mail@libertyrevolutions.com. www.liberty.in

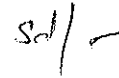
Regd. Office : Liberty House, 4/42, Punjabi Bagh, New Delhi-110026 India.

Tel: 91-124-4616200 Fax: 91-11-4263007 E-mail: del@libertyrevolutions.com

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. THE INSTRUMENT APPOINTING THE PROXY, DULY STAMPED, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. All the documents referred to in the Notice are open for inspection at the Registered Office of the Company on all Working days between 10.00 A.M. and 1.00 P.M. up to date of the aforesaid Annual General Meeting or any adjournment thereof, except on Sundays and other holidays.

By order of the Board
For **Liberty Retail Revolutions Ltd.**



Anupam Bansal
Chairman of the Meeting

Place: New Delhi
Dated: Tuesday, 28th August, 2012

DIRECTORS' REPORT

Dear Members,

The Directors of your Company feel delighted to present the 9th (Eighth) Annual Report along with the Audited Financial Statement of Accounts of your company for the financial year ended 31st March, 2012.

FINANCIAL PERFORMANCE & REVIEW OF OPERATIONS

The highlights of the Financial Statements and Company's performance during the year under consideration are as under:

Particulars	(R.in Lacs)	
	2011-2012	2010-2011
Sales and Other Income	5929.76	4898.27
Profit/ (Loss) before Depreciation	(38.59)	(10.29)
Depreciation	228.95	178.14
Profit / (Loss) before exceptional items & tax	(267.54)	(188.43)
Exceptional items	58.09	8.72
Profit / (Loss) before Taxation	(325.63)	(197.15)
Provision for Tax	-	-
Profit / (Loss) after Tax	(325.63)	(197.15)

Your Company, during the year under review, registered total income of ₹5,929.76 Lacs (Previous year ₹4,898.27 Lacs) by registering a growth of 21% as compared to the previous year. The cash loss, during the year under review, stood at ₹38.59 Lacs as against ₹10.29 Lacs during the previous year because of increase in interest cost and other administrative costs.

The financial year 2011-12 was a challenging year and despite the lower economic growth and challenging environment during the year under review, your Company has been able to keep pace of growth year to year. The important factor behind the growth of the Company's revenue is successful penetration of Tier II and Tier III cities in South India resulting in exploring the vast untapped potential of the South Indian market. However, increased finance cost due to rising interest rate and imposition of service tax on rent of immovable properties retrospectively has impacted the bottom line of the Company negatively.

Your Company, being a retail Company and falling in capital intensive industry, took a cautious approach and did not undertake the aggressive expansion as planned earlier due to general slowdown and uncertainty in Indian economy. Your Company would consider its expansion after analyzing the economic scenario and the retail industry in particular.

In order to fully exploit the opportunities in retailing and expand the retail network at a faster pace, the Board of Directors of your Company, subject to approval of the shareholders of the Company and compliance with the applicable provisions of the Companies Act and other applicable Acts and Rules made there under, have approved in principle proposal of the amalgamation of your Company with its parent Company Liberty Shoes Limited. The necessary compliances and other related activities are in process and shall be informed to you as and when required for your approval.

Your directors are hopeful that the Company in future will improve its performance and would further strengthen its retail presence.

BOARD OF DIRECTORS

As on date of this report, the Board consists of the following members:

Sr. No.	Name	Designation
1	Sh. Adarsh Gupta	Director
2	Sh. Anupam Bansal	Managing Director
3	Sh. Sunil Bansal	Director
4	Sh. Adish Kumar Gupta	Director
5	Sh. Amitabh Taneja	Director
6	Sh. Ashish Soni	Director

RETIREMENT BY ROTATION

Sh. Sunil Bansal and Sh. Ashish Soni, Directors of the Company retire by rotation in terms of Articles of Association and provisions of Section 256 of the Companies Act, 1956 and being eligible offer(s) themselves for re-appointment.

DIVIDEND

Since, the Company is yet to generate surplus out of its business activities, your Directors do not recommend any dividend on the Equity Share Capital of the Company to the shareholders for the financial year ended 31st March 2012.

AUDIT COMMITTEE

The Board of Directors of the Company constituted an Audit Committee in terms of Section 292A of the Act, 1956 in the year 2004 and reconstituted from time to time, which is presently comprised of one Executive Director and two Non-Executive Directors. The composition of the same is given as under:

S. No.	Name of the Committee Member(s)	Position	Category
1	Sh. Anupam Bansal	Chairman	Managing Director
2	Sh. Amitabh Taneja	Member	Non-Executive Independent Director
3	Sh. Sunil Bansal	Member	Non-Executive Director

During the financial year 2011-12, 4 (Four) Audit Committee meeting(s) were held on 10th May, 12th August, 24th October, 2011 and 31st January, 2012. The gap between two committee meetings was not more than four months. The Annual Financial Results of the Company for the year ended 31st March, 2012 were reviewed by the Audit Committee in its Meeting held on 28th August, 2012. Necessary quorum was present in the Audit Committee Meetings.

As required under the provisions of Section 292A of the Companies Act, 1956, the Statutory Auditors and Financial Consultants of the Company regularly attend the Audit Committee Meetings held from time to time during the year, inter-alia, for the purpose of reviewing the financial statements before submission to the Board and for discussing the observations of Statutory Auditors and its clarifications, if any, and its Internal Control System.

RECOMMENDATION OF THE AUDIT COMMITTEE

All the recommendations of the Audit Committee, which were placed before the Board during the year ended 31st March, 2012 in respect of any matter pertaining to financial management or any other matter related thereto, were duly accepted by the Board of Directors of the Company.

SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

Your Company is a closely held Company, even then, it has a Share Transfer and Investors' Grievance Committee for its shareholders and during the previous year under review, no request for transfer of shares or complaint by the shareholders received.

REMUNERATION COMMITTEE

The Board of Directors constituted Remuneration Committee in the year 2005 and reconstituted from time to time and no meeting was held during the year under review.

AUDITORS

M/s. Pardeep Tayal & Co., Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, would be in accordance with section 224(1B) of the Companies Act, 1956.

The Board recommends their re-appointment. The enabling resolution in this regard is a part of notice of the Annual General Meeting.

AUDITORS' REPORT

The observations of the Auditors in their report are self-explanatory and do not require any specific comments or clarifications. Apart from this, clarifications, if any, sought by the Statutory Auditors have been included in the Notes to the Accounts attached to the financial statements of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956 with respect to the Directors to the best of their knowledge and belief confirm that:

in preparation of the Annual Accounts as on 31st March, 2012 of the Company the applicable Accounting standards have been followed along with the proper explanation relating to material departures,

they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year,

they have taken proper and sufficient care for maintenance of adequate accounting records with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,

they have prepared the Annual Accounts for the financial year ended 31st March, 2012 on a going concern basis.

PUBLIC DEPOSIT (S)

The Company has not invited nor accepted any deposits during the year under section 58A and 58AA of the Companies Act, 1956.

PARTICULARS OF EMPLOYEE (S)

During the year, no employee, whether employed for the whole or part of the year, was drawing any remuneration, which exceeds the limits mentioned under Section 217(2A) of the

Companies Act, 1956. Therefore, Section 217(2A) read with Companies (Particulars of Employees) Rules, 1975 does not apply to the Company.

ENERGY CONSERVATION, TECHNOLOGY, ABSORPTION

Your Company is primarily engaged in the trading business and therefore operations of your Company are not energy intensive. However, the Company makes all efforts to conserve energy across all its operations.

The particulars as prescribed under the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding technology absorption, research and developments are not applicable to the company due to the nature of the business activities undertaken by your company.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of foreign exchange earnings and outgo during the financial year are as under:

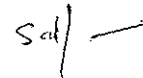
Foreign Exchange Earnings :	Rs NIL (Previous Year RsNIL)
Foreign Exchange Outgo :	Rs67,930/- (Previous year RsNIL)

ACKNOWLEDGEMENTS

Your directors wish to place on record its sincere appreciation to the Bankers, Parent Company, Retail Partners and Employees of the Company for their continued co-operation and support.

We also take this opportunity to thank all the valued customers who have chosen our products for their use and hopeful to get the same patronize in the times to come. Your Directors are thankful to the shareholders for their continued faith and support.

For Liberty Retail Revolutions Limited.



Anupam Bansal
Chairman of the meeting

Place: New Delhi
Dated: Tuesday, 28th August, 2012

AUDITORS' REPORT

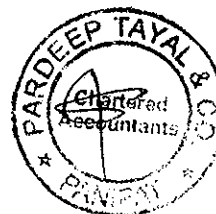
TO THE MEMBERS,

We have audited the attached Balance Sheet of Liberty Retail Revolutions Limited as on 31st March, 2012, Profit & Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that day 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.

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.

As required by the Companies (Auditor's Report) (Amendment) Order, 2004 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 paragraph 4 and 5 of the said Order.


1. Further to our comments in the annexure referred to above, we report that:-
 - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by the Report are in agreement with the books of accounts as submitted to us;



- d) In our opinion, the Balance Sheet, Profit & 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;
- e) On the basis of written representation received by us from the Directors of the Company as at 31st March, 2012 and taken on record by the Board of Directors, We report that no Director is disqualified as on 31st March 2012 from being appointed as Director of the Company under clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
- i) in our opinion and to the best of our information and according to the explanation given to us, the said Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
 - ii) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

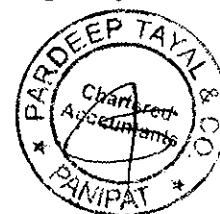
Place: New Delhi
Dated: 28.08.2012

For Pardeep Tayal & Co.
Firm Registration No. 002733N
Chartered Accountants


Suresh Gupta
Partner
Membership Number 514675

**ANNEXURE TO THE AUDITORS' REPORT
(REFERRED TO IN PARA 3 OF OUR REPORT OF EVEN DATE)**

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) During the year there exists a regular programme of verification of Fixed Assets and which, in our opinion, is reasonable having regard to the size of the Company & nature of its assets. No material discrepancies were noticed on such verification.
 - c) During the year, the Company has written off fixed assets of few stores which have been closed during the year. As the same did not constitute the major part of the fixed assets of the Company, the going concern status of the Company is not affected.
2. a) The inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
 - b) In our opinion, the procedure of physical verification of inventory followed by the management are reasonable & adequate in relation to the size of the Company & the nature of its business.
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock & book records were not material in relation to the operation of the Company & the same have been properly dealt with in the books of accounts.
3. a) The Company has not granted any loan to any Company, firm or parties listed in the register maintained under section 301 of the Act.
 - b) The provisions of clause 4 (iii) (b) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - c) The provisions of clause 4 (iii) (c) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - d) The provisions of clause 4 (iii) (d) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - e) The Company had taken long term loan from M/s Liberty Shoes Ltd. and short term loan from M/s. Geofin Investments Pvt. Ltd, companies which are listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs. 9,50,00,000/- (Rupees Nine



Crore Fifty Lacs Only) in case of M/s. Liberty Shoes Ltd and & Rs. 4,00,00,000/- (Rupees Four Crores Only) in case of M/s. Geofin Investments Pvt. Ltd. The year- end balance of loan taken from Liberty Shoes Ltd. is Rs. 9,50,00,000/- (Rupees Nine Crore Fifty Lacs Only) and that taken from M/s. Geofin Investments Pvt. Ltd is Nil.

- f) In our opinion, the rate of interest & other terms & conditions on which loan has been taken from the above said Company ~~listed in the register maintained under section 301 of the Companies Act, 1956~~, is not, prima facie, prejudicial to the interest of the Company.
- g) The Company has been regular in repaying the principal amount and payment of interest as stipulated.

4. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls of the Company.

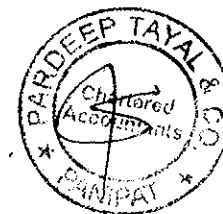
5. a) According to information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

b) In our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 during the year have been made at prices which are reasonable.

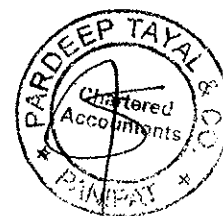
6. The Company has not accepted any deposit from the public to which the provisions of Section 58 A, 58 AA or any other relevant provisions of the Act applies.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. The provisions of clause 4(viii) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.



9. a) According to the information and explanation given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in the books of accounts in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Custom Duty, Excise Duty, Service Tax, Cess & other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- b) ~~There are no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess & other material statutory dues as at 31st March, 2012 which are outstanding for a period of more than six months from the date they became payable.~~
- c) As at 31st March 2012, according to the records of the Company and the information and explanations given to us, there were no undisputed dues on account of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues; therefore, provisions of clause 4 (ix) (b) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
10. The Company has accumulated losses at the end of the financial year 2012, which is not less than 50% of the net worth of the Company. The Company has incurred cash losses of Rs. 89,77,182/- during the financial year (Previous financial year Nil).
11. In our opinion & according to information & explanations given to us, the Company has not defaulted in repayment of dues to a financial institutions, bank or debenture holders.
12. The Company has not granted any loans and advances on the basis of security, by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
14. ~~In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.~~
15. The Company has not given any guarantee for loans taken by others from bank or other financial institutions.



16. The Company has not obtained any Term Loan during the period.
17. According to information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to information and explanation given to us, the Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. According to information and explanation given to us, the Company has not issued any secured debentures during the year.
20. The Company has not raised any money through public issue during the period.
21. According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Pardeep Tayal & Co.

Firm Registration No. 002733N

Chartered Accountants


Sukesh Gupta

Partner

Membership Number 514675

Place: New Delhi

Date: 28.08.2012

Liberty Retail Revolutions Ltd., New Delhi

Balance Sheet

as at 31st March, 2012

(Amount in Rs.)

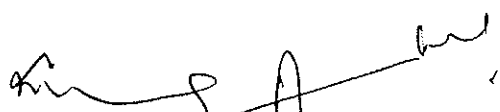
PARTICULARS	Note	As at 31st March, 2012		As at 31st March, 2011
EQUITY & LIABILITIES				
Shareholders' Funds				
Share Capital	3	106,500,000		106,500,000
Reserves and Surplus	4	(111,043,486)	(4,543,486)	(78,480,544)
Share Application Money Pending Allotment			-	55,000,000
Non-Current Liabilities				
Long Term Borrowings	5	165,318,373		77,962,515
Long Term Provisions	6	2,160,664	167,479,037	1,444,728
Current Liabilities				
Short Term Borrowings	7	80,089,856		121,770,628
Trade Payables		175,117,486		166,598,375
Other Current Liabilities	8	58,915,658		29,371,246
Short Term Provisions	9	21,635	314,144,634	12,693
TOTAL			477,080,186	480,179,640
ASSETS				
Non-Current Assets				
Fixed Assets				
i) Tangible Asset	10	157,459,979		150,912,568
ii) Intangible Asset	10	828,794		1,096,476
iii) Capital Work-in-Process	10	-	158,288,773	-
Non Current Investments	11		28,000	28,000
Long Term Loans & Advances	12		22,611,899	29,325,940
Current Assets				
Inventories	13		272,912,053	271,816,852
Trade Receivable	14		11,867,853	9,805,567
Cash & Bank Balances	15		5,294,453	3,935,336
Short Term Loans & Advances	16		6,060,322	13,242,068
Other Current Assets	17		16,834	16,834
TOTAL			477,080,186	480,179,640

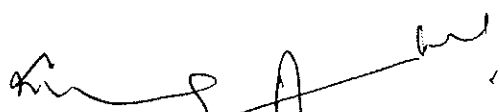
The accompanying notes 1 to 26 are an integral part of the financial statements

Signed in terms of our Audit Report of even date
for Pardeep Tayal & Co.,
Firm Regn. No. 902733N
Chartered Accountants

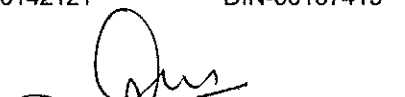
for and on behalf of the Board


Suresh Gupta
Partner
Membership No. 514675
Place: New Delhi
Dated: 28-08-2012


Sunil Bansal
Director
DIN-00142121


Anupam Bansal
Managing Director
DIN-00137419


Shikha Chadha
Company Secretary

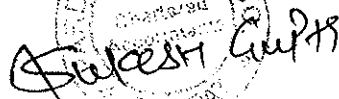

Prepared by
VIPIN KUMAR
Manager - Finance

Liberty Retail Revolutions Ltd., New Delhi
Statement of Profit & Loss
for the year ended 31st March, 2012

PARTICULARS	Note	2011-12	(Amount in Rs.) 2010-11
INCOME			
Revenue from Operations	18	590,709,354	488,601,550
Other Income	19	2,266,479	1,225,641
Total Revenue		592,975,833	489,827,191
EXPENSES			
Purchase of Stock-in-trade	20	350,805,446	362,095,836
Changes in Inventories of Stock-in-trade	21	(1,095,201)	(75,114,877)
Employee Benefit Expense	22	69,410,818	60,985,692
Finance Costs	23	20,398,678	13,652,892
Depreciation	10	22,895,398	17,813,653
Other Expenses	24	157,314,884	129,237,219
Total Expenses		619,730,024	508,670,415
Profit before exceptional and extraordinary items & tax		(26,754,191)	(18,843,224)
Exceptional Items	25	5,808,750	871,797
Profit before Tax		(32,562,941)	(19,715,021)
Tax Expense			
Current Tax		-	-
Deferred Tax		-	-
Profit after Tax		(32,562,941)	(19,715,021)
Earning Per Share of Rs. 10/- each			
Basic and Diluted			
Before exceptional items		(2.51)	(1.77)
After exceptional items		(3.06)	(1.85)

The accompanying notes 1 to 26 are an integral part of the financial statements

Signed in terms of our Audit Report of even date
for Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants



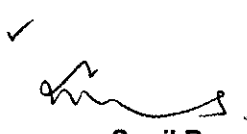
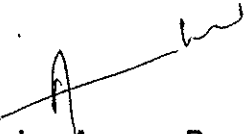
Sukesh Gupta

Partner

Membership No. 514675

Place: New Delhi

Dated: 28-08-2012

Sunil Bansal

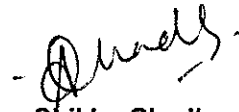
Director

DIN-00142121

Anupam Bansal

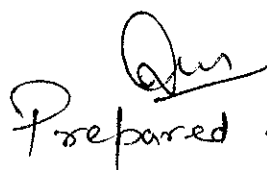
Managing Director

DIN-00137419



Shikha Chadha

Company Secretary


Prepared by
VIPIN KUMAR
Manager - Finance

Liberty Retail Revolutions Ltd., New Delhi
Cash Flow Statement
for the year ended 31st March, 2012

PARTICULARS	31.03.2012	(Amount in Rs.) 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/(Loss) before Tax and extraordinary items	(32,562,941)	(19,701,648)
Adjustments for:		
Depreciation	22,895,398	17,813,653
Provision for bad & doubtful debts	(600,477)	4,373,604
Loss/(Gain) on sale of Fixed Assets	690,361	871,797
Interest Expense	15,419,543	10,115,691
Interest Income	(79,967)	(77,685)
Operating Profit before working capital changes	5,761,917	13,395,412
Adjusted for:		
Trade & Other Receivables	(1,461,810)	826,781
Inventories	(1,095,201)	(75,114,877)
Loans & Advances	13,834,329	(9,690,173)
Trade & Other Payables	36,052,041	49,821,685
Cash Generated from Operations	53,091,277	(20,761,172)
Direct Taxes Paid	61,458	(90,699)
Net Cash from Operating Activities	53,152,735	(20,851,871)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(30,086,682)	(67,806,216)
Sale of Fixed Assets	221,193	129,658
Bank and other Interest	79,967	77,685
Decrease/(Increase) in Investments	-	(3,022)
Net Cash used in Investing Activities	(29,785,522)	(67,601,896)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Application Money	(55,000,000)	55,000,000
Proceeds from fully Convertible Debentures	-	-
Proceeds from Long term borrowings	95,000,000	29,875,930
Repayment of Long term borrowings	(4,907,781)	(807,959)
Short Term Borrowings (Net)	(41,680,772)	20,617,773
Proceeds from Inter Corporate Deposits	-	-
Interest paid	(15,419,543)	(14,867,691)
Net Cash used in Financing Activities	(22,008,096)	89,818,054
Net Increase/(Decrease) in Cash & Cash Equivalents	1,359,117	1,364,286
Cash & Cash Equivalents (Opening Balance)	3,935,336	2,571,050
Cash & Cash Equivalents (Closing Balance)	5,294,453	3,935,336

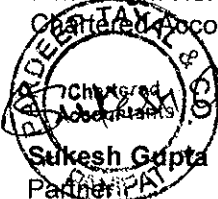
The accompanying notes 1 to 26 are an integral part of the financial statements

Signed in terms of our Audit Report of even date

For Pardeep Tayal & Co.,

Firm Regn. No. 002733N

Chartered Accountants



Sukesh Gupta

Partner

Membership No. 514675

Place: New Delhi

Dated: 28-08-2012

Sunil Bansal

Director

DIN-00142121

Anupam Bansal

Managing Director

DIN-00137419

Shikha Chadha

Company Secretary

Prepared by
VIPIN KUMAR

for and on behalf of the Board

Notes to Financial Statements for the year ended 31st March, 2012

1. COMPANY BACKGROUND

Liberty Retail Revolutions Ltd was incorporated on 22 January 2004. The Company is a subsidiary of Liberty Shoes Ltd. and is engaged in the business of retailing of Footwear & Accessories.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of Financial Statements

- The accompanying Financial Statements have been prepared in accordance with the Historical Cost Conventions.
- Accounting Policies not specifically referred to otherwise are consistent with generally accepted Accounting Principles followed by the Company, applicable accounting standards prescribed by Companies (Accounting Standards) Rules, 2006, accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- The items of income & expenditure are recognized on accrual basis.

b) Revenue Recognition

Sales revenue is recognized net of sales returns, trade discount and Sales Tax /Value Added Tax.

c) Inventory Valuation

Inventories are valued at the lower of cost and net realizable value. Cost is determined on weighted average cost basis.

d) Fixed Assets

Fixed assets are stated at cost of acquisition and subsequent improvements thereto, including taxes and duties, freight and other incidental expenses relating to acquisition and installation.

e) Depreciation

Depreciation is provided on pro-rata basis by straight-line method(SLM) at the rates determined based on management's estimate of economic useful lives of assets or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher:



Particulars	Considered Useful life	Rate of Depreciation as per the Companies Act, 1956
Furniture & Fixtures	10 Years	6.33%
Office Equipments	10 Years	4.75%
Computers & Software	7 Years	16.21%
Vehicles	12 Years	9.50%
Costing less than Rs. 5000/-	1 Year	100%

f) Investments

Long-term Investments are valued at cost. Short Term Investments are valued at lower of cost and fair value, calculated individually for each investment.

g) Operating Lease

Leases where the Lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on straight-line basis over the lease term.

h) Contingent Liabilities

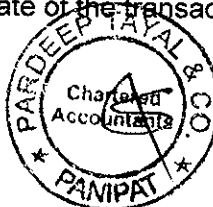
All known liabilities wherever material are provided for and liabilities, which are material and whose future outcome can not be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

i) Employee Benefits

- (i) Short- term employee benefits are recognized as an expense in the Profit and Loss Account of the year in which the related service is rendered.
- (ii) Contribution to defined contribution scheme such as provident fund, superannuation fund etc. is charged to Profit and Loss Account as incurred. The Company also provides retirement benefits in the form of gratuity as and when due.

j) Foreign Exchange Transactions

Transactions in foreign currency entered during the year are recorded at the exchange rates prevailing on the date of the transaction.



k) Taxation

Current Income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income Tax Act, 1961. Provision for taxation is made taking in to consideration the provisions of Income Tax Act, 1961. Adjustments, if any, arising out of the assessment is made in the year the assessment is completed.

Deferred tax is measured based on the tax rates and tax laws enacted or substantially enacted at 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. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

l) Borrowing Cost

Borrowing cost attributable to the acquisition or construction of a qualifying asset is capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

m) Impairment of Assets

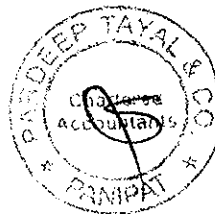
Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

n) Provisions

Provisions are recognized when the Company has a present obligation as a result of past event, it is more likely than not that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

o) Cash and Cash Equivalents

Cash and Cash equivalents in the Balance Sheet comprise cash in hand and at bank.



**Notes to Financial Statements
for the year ended 31 March 2012**

Liberty Retail Revolutions Ltd.

(Amount in Rs.)
31.03.2012 31.03.2011

3. Share Capital		
	31.03.2012	31.03.2011
Authorised : 1,25,00,000 (Previous year 1,25,00,000) Equity Shares Rs. 10/- Each	125,000,000	125,000,000
Issued, Subscribed & Paid up: 1,06,50,000 (Previous year 1,06,50,000) Equity Shares of Rs. 10 each fully paid up	106,500,000	106,500,000
	106,500,000	106,500,000

3.1 Details of Shareholding greater than five percent

Name of Shareholder	As at 31st Mar'12		As at 31st Mar'11	
	No. of Shares	% Held	No. of Shares	% Held
Liberty Shoes Ltd (Holding Co.)	9,996,150	93.86%	9,996,150	93.86%
Geofin Investments Pvt. Ltd	650,000	6.10%	650,000	6.10%

3.2 Reconciliation of Shares Outstanding at the beginning and end of the year

Equity Shares	As at 31st Mar'12		As at 31st Mar'11	
	No. of Shares	Amount	No. of Shares	Amount
Opening Balance	10,650,000	1065 Lacs	10,650,000	1065 Lacs
Changes during the year	-	-	-	-
Closing Balance	10,650,000	1065 Lacs	10,650,000	1065 Lacs

3.3 Other Disclosure

The Company has one class of equity shares having a par value of Rs. 10 per share. Each equity shareholder is eligible for one vote per share held. Each equity shareholder is entitled to dividends as and when the Company declares and pays dividend after obtaining shareholders' approval.

**Notes to Financial Statements
for the year ended 31 March 2012**

Liberty Retail Revolutions Ltd.

	31.03.2012	31.03.2011
Reserves & Surplus		
Securities Premium (As per last Balance sheet)	91,000,000	91,000,000
Statement of Profit & Loss		
As per last Balance Sheet	(169,480,544)	(149,765,523)
Add: profit (loss) for the year	(32,562,941)	(19,715,021)
	(111,043,486)	(78,480,544)

4. **Reserves & Surplus**
 Securities Premium (As per last Balance sheet)
 Statement of Profit & Loss
 As per last Balance Sheet
 Add: profit (loss) for the year

5.

Long Term Borrowings

Particulars	As at 31st Mar'12		As at 31st Mar'11	
	Non-Current	Current	Non-Current	Current
Secured				
1) From Banks				
Rupee term loans from Banks	15,470,246	6,478,967	21,949,214	3,853,060
2) From Others				
Rupee term loans from others	1,860,627	1,252,674	3,113,301	1,142,221
Total	17,330,873	7,731,641	25,062,515	4,995,281
Less: Amount disclosed under other Current liabilities	-	7,731,641	-	4,995,281
Net Secured Long Term Borrowings	17,330,873	-	25,062,515	-
Unsecured				
Security Deposits	2,987,500	-	2,900,000	-
Long term loans from related parties	95,000,000	-	-	-
Fully Convertible Debentures (Related Party)	50,000,000	-	50,000,000	-
(5,00,000 Zero percent Unsecured Fully Convertible Debentures of Rs. 100/- each fully paid)				
Net Unsecured Long Term Borrowings	147,987,500	-	52,900,000	-
Net Long term Borrowings	165,318,373	-	77,962,515	-



Notes to Financial Statements
for the year ended 31 March 2012

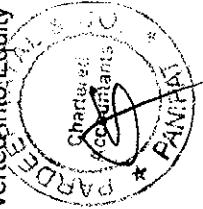
Liberty Retail Revolutions Ltd.

5.1 Repayment terms and security for the outstanding Secured long term Borrowings (including current maturities) as at 31st March, 2012

Particulars of Loan	Details of Security	Outstanding Balance as at 31 Mar.12	Repayment Terms
(i) From Banks			
1. Term Loan from IndusInd Bank	Secured against hypothecation of assets financed under Term Loan and the Corporate Guarantee of Parent Company & Geofin Investments Pvt. Ltd. Further secured by security belonging to Geofin Investments Pvt. Ltd	21,354,167	41 monthly instalments of Rs. 5.21 lakh each.
2. Vehicle Loan from HDFC Bank	Hypothecation of Vehicles	595,047	38% in monthly instalments in 12-13 43% in monthly instalments in 13-14 19% in monthly instalments in 14-15
Total		21,949,213	
(ii) From Others			
1. Vehicle Loan from Kotak Mahindra Prime Ltd	Hypothecation of Vehicles	3,113,301	40% in monthly instalments in 12-13 44% in monthly instalments in 13-14 16% in monthly instalments in 14-15
Total		3,113,301	

5.2 Terms of Conversion of Debentures

The Fully Convertible Debentures are convertible into equity shares in one or more tranches at the option of the holder / Company. However, all the Fully Convertible Debentures shall be converted into Equity Shares within a period of Eighty Four months from the date of allotment of the said Fully Convertible Debentures.



Notes to Financial Statements
for the year ended 31 March 2012

Liberty Retail Revolutions Ltd.

	31.03.2012	31.03.2011
6. Long Term Provisions Provision for Gratuity	2,160,664	1,444,728
	<u>2,160,664</u>	<u>1,444,728</u>
7. Short Term Borrowings Secured Working Capital Loans (Secured against hypothecation of current assets and the Corporate Guarantee of Parent Company & Geofin Investments Pvt. Ltd. Further secured by collateral belonging to Geofin Investments Pvt. Ltd.)	79,989,856	81,370,628
Unsecured Loans and Advances from Related Parties Security Deposits	-	40,000,000
	100,000	400,000
	<u>80,089,856</u>	<u>121,770,628</u>
8. Other Current Liabilities Current maturities of Term Loan from Bank Current maturities of Vehicle Loans Interest Accrued but not due on borrowings Interest Accrued & due on borrowings Advance from Customers Creditors for Capital Expenditure Statutory Dues Expenses Payable / Accrued Expenses Other Payables	6,250,000 1,481,641 20,131 97,397 262,234 477,064 6,010,802 19,288,849 25,027,539 58,915,658	3,645,833 1,349,448 27,445 - 1,500 5,163,621 5,940,948 12,867,955 374,495 29,371,246
9. Short Term Provisions Provision for Gratuity	21,635	12,693
	<u>21,635</u>	<u>12,693</u>
11. Non Current Investments Investments in Government Securities (6 Years National Saving Certificates VIII Issue)	28,000	28,000
	<u>28,000</u>	<u>28,000</u>
12. Long Term Loans & Advances (Unsecured considered good unless otherwise stated) Capital Advances Security Deposits	539,688 22,072,211 22,611,899	4,677,433 24,648,507 29,325,940
13. Inventories (At lower of cost and net realisable value) Stock-in-trade: Retail Merchandise	272,912,053 272,912,053	271,816,852 271,816,852



Notes to Financial Statements
for the year ended 31st March, 2012

Liberty Retail Revolutions Ltd.

10. Fixed Assets

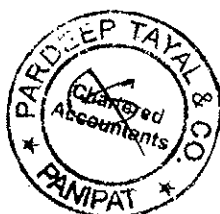
Particulars	Gross Block			Depreciation			Net Block	
	Total as on 01.04.2011	Addition during the period	Sales/Adj. During the period	Total as on 31.03.2012	For the period	Written off/Adjusted during the Year	Total as on 31.03.2012	Total as on 31.03.2011
Tangible Assets								
Furniture & Fixtures	175,685,570	27,079,308	1,585,312	201,179,566	19,826,300	679,311	137,487,118	131,140,110
Office Equipments	10,927,149	2,351,748	-	13,278,897	1,302,546	-	10,134,820	9,085,618
Computers	6,719,380	655,626	11,667	7,363,339	629,655	6,114	2,612,325	2,591,908
Plant & Machinery	297,095	-	-	297,095	29,710	-	215,373	245,083
Vehicle	8,836,890	-	-	8,836,890	839,505	-	7,010,344	7,849,849
Total	202,466,085	30,086,682	1,596,979	230,955,788	22,627,716	685,425	157,459,979	150,912,568
Previous year	141,353,763	62,811,523	1,699,201	202,466,085	17,443,425	697,746	150,912,567	106,545,924
Intangible Assets								
Software	2,414,034	-	-	2,414,034	267,682	-	828,794	1,096,476
Total	2,414,034	-	-	2,414,034	267,682	-	828,794	1,096,476
Previous year	2,096,774	317,260	-	2,414,034	370,228	-	1,096,476	1,149,444



Notes to Financial Statements
for the year ended 31 March 2012

Liberty Retail Revolutions Ltd.

	31.03.2012	31.03.2011
14. Trade Receivables (unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	4,804,626	4,738,98
Considered doubtful	7,689,538	8,290,01
Other Debts (Considered Good)	7,063,227	5,066,57
	<u>19,557,391</u>	<u>18,095,58</u>
Less: Provisions for Bad & Doubtful Debts (Refer Note No. 26.14)	7,689,538	8,290,01
	<u>11,867,853</u>	<u>9,805,56</u>
15. Cash & Bank Balances		
Cash-in-hand	2,321,127	2,182,22
Balance with banks in Current Accounts	2,482,505	1,294,42
Fixed Deposit with Banks	490,820	458,68
	<u>5,294,453</u>	<u>3,935,33</u>
Balances with Banks include:		
-Fixed Deposits with maturity of more than 12 months.	32,283	-
-Fixed Deposits held as margin money against Bank Guarantees	-	80,94
-Other Commitments (Fixed Deposits under lien with sales tax authorities)	403,573	377,74
	<u>435,856</u>	<u>458,68</u>
16. Short Term Loans & Advances		
(Unsecured, considered good unless otherwise stated)		
Advance to Suppliers	452,690	529,955
Advances to Employees	355,427	1,242,487
Security deposits	3,033,149	2,680,330
Other Loans & Advances	2,219,056	8,789,296
	<u>6,060,322</u>	<u>13,242,068</u>
17. Other Current Assets		
(Unsecured & Considered Good)		
Interest Accrued on Investment	16,834	16,834
	<u>16,834</u>	<u>16,834</u>
18. Revenue from Operations		
Sale of Products	578,651,222	479,973,069
Income from Job Work	3,004,657	3,855,299
Other Operating Income	9,053,475	4,773,182
	<u>590,709,354</u>	<u>488,601,550</u>
19. Other Income		
Interest Income	79,967	77,685
Other Non-operating Income	2,186,512	1,147,956
	<u>2,266,479</u>	<u>1,225,641</u>
20. Purchases of Traded Goods		
Purchase of traded goods - retail merchandise	350,805,446	362,095,836
	<u>350,805,446</u>	<u>362,095,836</u>
20.1 Details of purchase of traded goods		
Footwear	334,485,481	345,756,885
Accessories	16,319,965	16,338,950



Notes to Financial Statements
for the year ended 31 March 2012

Liberty Retail Revolutions Ltd.

	31.03.2012	31.03.2011
21. Changes in Inventories of Stock-in-trade		
Closing Inventory	272,912,053	271,816,852
Opening Inventory	271,816,852	196,701,977
Increase/(Decrease) in Inventories	<u>1,095,201</u>	<u>75,114,875</u>
22. Employee Benefit Expense		
Salaries, Wages, Bonus and other Allowances	61,966,357	55,484,377
Contribution to Provident Fund & Other funds	4,937,613	3,612,630
Staff Welfare Expenses	2,506,848	1,888,688
	<u>69,410,818</u>	<u>60,985,695</u>
23. Finance Charges		
Interest to Banks	14,883,779	9,553,799
Interest to Others	535,764	561,895
Bank Charges	4,979,136	3,537,200
	<u>20,398,678</u>	<u>13,652,894</u>
24. Other Expenses		
Packing Materials	573,739	466,632
Printing and Stationery	1,043,222	1,068,330
Tour, Travelling and Conveyance	5,185,363	6,007,300
Insurance Charges	792,566	666,239
Fee and Taxes	570,963	505,730
Postage, Courier & Telephone Expenses	3,237,571	3,066,335
Advertisement & Sales Promotion Expenses	11,106,487	5,724,597
Rent (Refer Note No. 24.1)	81,352,968	63,640,310
Freight	1,468,081	1,237,685
Common Area & Other Maintenance	16,538,609	12,966,872
Auditors Remuneration	67,416	66,180
Miscellaneous Expenses	1,221,827	1,123,860
Royalty	1,103,000	1,103,000
Consultancy and Professional Charges	768,118	376,347
Commission	18,825,019	16,576,674
Electricity and Generator Expenses	13,092,395	10,193,275
Provision (written back) for Bad & Doubtful Debts	(600,477)	4,373,604
Bad Debts written off	600,477	-
Charity & Donation	367,541	74,242
	<u>157,314,884</u>	<u>129,237,219</u>
24.1 Leasing Transactions		
a.) Operating lease rental charged to Revenue	76,152,034	63,093,849
b.) The future minimum lease payment under non cancellable operating lease:		
Not later than one year	24,245,243	21,386,986
Later than one year and not later than 5 years	12,566,941	20,671,324
Later than five years	Nil	Nil
25. Exceptional items		
Loss on Fixed Assets Written off	690,361	871,797
Fees & taxes (Refer Note No. 26.16)	5,118,389	-
	<u>5,808,750</u>	<u>871,797</u>



Notes to Financial Statements
for the year ended 31st March, 2012

26. MISCELLANEOUS NOTES

26.1 Details of Managerial Remuneration:

Particulars	(Amount in Rs.)	
	31.03.2012	31.03.2011
Payment and Provision for Remuneration to:		
• Managing/Executive Director	11,40,000/-	11,40,000/-

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956, for calculation of Commission paid/payable to directors:

Particulars	31.03.2012	31.03.2011
Profit before tax as per Profit & Loss Account	(3,25,62,941)	(1,97,15,021)
Add:		
Directors' Remuneration	11,40,000	11,40,000
Loss on Sale/Written off of Fixed Assets	6,90,361	8,74,077
Net Profit as per Section 349 read with Section 198 of the Companies Act, 1956	(3,07,32,580)	(1,77,00,944)
Commission paid/payable to Directors	-	-

- 26.2 In the opinion of the Board and to the best of its knowledge, the value of realization of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they have been stated in the Balance Sheet.
- 26.3 There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March 2012. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors
- 26.4 The Company in terms of the License user agreement dated 1st March 2004 with M/s Liberty Footwear Co., a partnership firm in which some of the Directors are interested as partners has paid Rs.11,03,000/-(Previous Year Rs.11,03,000/-) (Including Service Tax) as Royalty.
- 26.5 Sales/Adjustment of Gross Block amounting to Rs.15,96,979/- (Previous year Rs. 16,99,201/-) is on account of write off of the fixed assets of the stores, which have been closed down during the year. Accordingly, the depreciation in respect of the block has been adjusted with the depreciation reserve
- 26.6 Estimated amount of Contracts remaining to be executed on capital account and not provided for: Nil (Previous Year: Rs. 102,37,575/-)



26.7 Contingent Liabilities

	Amount in Rs.	
	2011-12	2010-11
Sales tax matters under appeal	Nil	25,99,869

26.8 Related Party Disclosure

As per Accounting Standard 18 "Related Party Disclosures" as prescribed by Companies (Accounting Standards) Rules, 2006, following are the related parties with whom transactions have been done during the year.

- (i) Holding Company : Liberty Shoes Ltd.
- (ii) Key Management Personnel : Sh. Adarsh Gupta, Sh. Sunil Bansal.
Sh. Anupam Bansal
- (iii) Enterprises over which Persons in clause (ii) above have control: Liberty Footwear Co., Geofin Investments Pvt. Ltd., Little World Constructions Ltd

Particulars	Holding Company		Key Management Personnel		Enterprise Over which KM their Relatives have control	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Purchase of Goods (Net of Vat)						
-Liberty Shoes Limited	34,66,28,593	35,51,25,276	-	-	-	-
Royalty Expenses						
-Liberty Footwear Co.	-	-	-	-	11,03,000	11,03,000
Rent Payment (excluding Service Tax)						
-Geofin Investments Pvt Ltd	-	-	-	-	51,40,800	42,84,000
-Little World Constructions Ltd	-	-	-	-	4,27,771	4,75,657
Remuneration Paid						
Sh. Anupam Bansal	-	-	11,40,000	11,40,000	-	-
Shoe Upper Production Charges Received						
Liberty Shoes Ltd.	30,04,625	38,55,299	-	-	-	-
Unsecured Loan repayment (Including Interest)						
-Liberty Shoes Ltd.	-	-	-	-	-	-
-Geofin Investments Pvt. Ltd.	-	-	-	-	4,00,00,000	-
Long Term Loans taken						
-Liberty Shoes Ltd.	9,50,00,000	-	-	-	-	-
Corporate Guarantee Extended						
-Liberty Shoes Limited	-	5,00,00,000	-	-	-	-
-Geofin Investments Pvt Ltd	-	-	-	-	-	10,00,00,000
Outstanding Balances						



-Liberty Shoes Ltd. (Trade Payables)	17,39,27,644	16,64,16,631	-	-	-	-
-Liberty Shoes Ltd. (Debentures)	5,00,00,000	5,00,00,000	-	-	-	-
-Liberty Shoes Ltd. (Long term loan)	9,50,00,000	-	-	-	-	-
-Liberty Footwear Co.	-	-	-	-	19,85,400	9,92,700
-Geofin Investments Pvt Ltd	-	-	-	-	-	4,03,21,30
-Corporate Guarantee	10,00,00,000	10,00,00,000	-	-	10,00,00,000	10,00,00,0

26.9 In view of Accounting Standard-22, Deferred Tax Assets due to carry forward of Business Loss and Unabsorbed Depreciation is not accounted for.

26.10 Expenditure Incurred in Foreign Currency:

The Company has incurred foreign currency equivalent to Rs. 67,930/- (Previous year Rs. Nil) towards tour and traveling expenses.

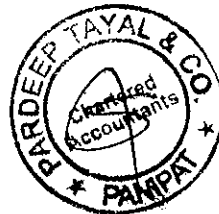
26.11 Basic and Diluted Earning per share: The Basic and Diluted Earning per share of the Company are as under:

Particulars	(Amount in Rs.)	
	2011-12	2010-11
Basic & Diluted		
Profit/ (loss) after Taxation (A)	(32,562,941)	(19,715,021)
Weighted Average number of Equity Shares (B)	1,06,50,000	1,06,50,000
Nominal value per Equity Share	10.00	10.00
Earning per share (Basic & Diluted) (A/B)	(3.06)	(1.85)

Earning per share (Diluted): The Company has issued zero percent fully convertible debentures during the previous year and according to the terms of issue of said debentures at present, the number of equity shares consequent upon the conversion cannot be determined. Hence, diluted earning per share cannot be computed during the year under consideration.

26.12 **Detail of Employee Benefits- Gratuity**

The Company has a defined gratuity plan (defined benefit). Every employee, on completion of continuous service of 5 years or more with the company is entitled to get the gratuity of 15 days salary on the basis of last drawn salary for each completed year of service. The Company has created trust under Group Gratuity Scheme and the entire amount of gratuity as per the actuarial valuation is provided for as liability in books.



S.No	Particulars	Gratuity (Unfunded) As on 31st March, 2012*	Gratuity (Unfunded) As on 31st March, 2011*
I	Changes in Present Value of Obligations		
	Present Value of Obligation as at the beginning of the period	14,57,421	10,75,212
	Interest Cost	1,24,220	86,017
	Current Service Cost	6,24,615	4,45,621
	Benefits paid	(78,289)	Nil
	Actuarial (gain)/ loss on obligations	54,332.00	(1,49,429)
	Present Value of Obligation as at the end of the period	21,82,299	14,57,421
II	Net Asset/ (Liability) recognised in the Balance Sheet		
	Present Value of Obligation as at the end of the period	21,82,299	14,57,421
	Fair Value of Plan Assets as at the end of the period	Nil	Nil
	Funded status [surplus/(Deficit)]	(21,82,299)	(14,57,421)
	Unrecognized Actuarial (gains) / losses	Nil	Nil
	Net Assets / (Liability) Recognized in Balance Sheet	(21,82,299)	(14,57,421)
III	Expenses recognised in the statement of Profit and Loss:		
	Current Service Cost	6,24,615	4,45,621
	Interest Cost	1,24,220	86,017
	Expected Return on Plan Assets	Nil	Nil
	Net actuarial (gain)/ loss	54,332	(1,49,429)
	Expenses Recognized in the statement of Profit & Loss	8,03,167	3,82,209
IV	Assumptions		
	Discount Rate	8.00% p.a.	8.50% p.a.
	Rate of increase in Compensation levels	5.50% p.a.	6.00% p.a.
	Mortality Table	LIC (1994-96) ultimate	LIC (1994-96) ultimate

26.13 Additions to Fixed Assets includes the Pre-operative expenditure of Rs. 13,16,552/- (Previous year Rs 48,87,425/-) incurred to the date of launching new stores.

26.14 Provision for Doubtful Debts: During the year, the Company has considered debts for Nil (Previous year Rs.43,73,604/-) as doubtful debts and has also withdrawn Rs. 6,00,477/- (Previous year Nil) out of the provisions made in earlier years for the same and written off as bad debts (Previous year Rs. Nil). Further, the differential of the provision made and amount withdrawn during the year, detailed as under has been charged to the Statement of Profit and Loss for the year and the balance has been carried in the balance sheet:

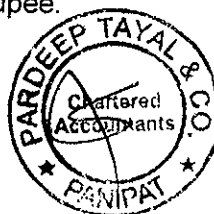
Statement of Profit & Loss

Particulars	(Amount in Rs.)	
	2011-12	2010-11
Provision for the year	-	4,373,604
Less: Amount withdrawn from the provision made for doubtful debts in the earlier years	600,477	-
Net debited/ (Credited) to Statement of Profit & Loss	(600,477)	4,373,604

Balance Sheet

Particulars	(Amount in Rs.)	
	2011-12	2010-11
Opening Balance	8,290,015	3,916,411
Add: Provision for the year	-	4,373,604
Total	8,290,015	8,290,015
Less: Amount withdrawn during the year	600,477	-
Closing Balance	7,689,538	8,290,015
Trade Receivables (Refer to Note 14)	7,689,538	8,290,015

- 26.15 An amount of Rs. Nil [Previous Year Rs. 8,19,928/- (net debit)] is included under Employee Benefit Expense and Rs. 15,855 (net debit) [Previous Year Rs. 25,762.79/- (net credit)] is included under Other Expenses representing Net Prior Period Items.
- 26.16 Exceptional item of Rs. 51.18 lakh relates to service tax provision / payment related to earlier years on account of Hon'ble Supreme Court interim order dated 14th Oct 2011 with regard to levy of service tax on immovable properties rented out for commercial use including its retrospective applicability from 1st June 2007, in compliance of which the Company has either paid the service tax or made the provision against the service tax for the period 1st June 2007 to 31st March 2011.
- 26.17 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/rearranged wherever necessary. The current year and previous figures have been rounded off to the nearest rupee.



Report of the Audit Committee of Liberty Shoes Limited

Members Present in Meeting Held on 13th February, 2013

Sh. Raghubar Dayal	Chairman
Sh. Premchand Garg	Member
Sh. Sunil Bansal	Member

1. Background

We have been informed that the Board of Directors of Liberty Shoes Limited (the Company) is proposing to consider the Scheme of Amalgamation of Liberty Retail Revolutions Limited, a wholly owned subsidiary, with the Company in its meeting to be held on 13th February, 2013, as per the terms and conditions mentioned in the draft Scheme of Amalgamation (the Scheme).

As required under clause 24(f) of the Listing Agreement, the Company will be filing the Scheme along with other necessary information/documents with the National Stock Exchange of India Limited and Bombay Stock Exchange Limited post the approval of the Scheme in the Board Meeting.

Recently, SEBI vide its circular No. CIR/CFD/DIL/5/2013 (Circular) dated 4th February, 2013 has, amongst other requirements, sought a report from the Audit committee of the listed entity recommending the draft Scheme.

In view of the above circular, members of the Audit Committee of the Company have discussed and approved the draft Scheme vide a resolution passed at its meeting held on 13th February, 2013, and have made this report, after perusing the following necessary documents:

- 1) Draft Scheme of Amalgamation; and
- 2) Certificates obtained from the Statutory Auditors of the Company on the accounting treatment prescribed in the Scheme.

This report of the Audit Committee is made in order to comply with the requirements of the circular.

2. Proposed Scheme of Amalgamation

2.1 Rationale of the proposed Scheme of Amalgamation



Liberty Shoes Ltd.

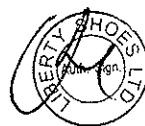
Corporate Office : Building No. 8, Tower-B, 2nd Floor, DLF Cyber Citi, Phase-II, Gurgaon-122 002, Haryana, India
Tel.: +91-124-4616200, 3856200 Fax: +91-124-4616222. E-mail: mail@libertyshoes.com www.liberty.in

Registered Office: Libertypuram, 13th Milestone, G.T.Karnal Road, P.O. Bastara, Distt. Karnal-132 114, Haryana (India)
Tel.: +91-1748-251101~3 Fax : +91-1748-251100, E-mail: lpm@libertyshoes.com

- The Transferor Company was incorporated with an idea of reaching to the customers directly by its own retail stores so that it can carefully watch the changing market trend to bring in necessary changes in its Product Mix, Merchandising and Customer Service & Feedback. As of now, the Transferor Company is having around 80 Retail Stores across India and making sales of around Rs. 60 Crores in a year. The Transferee Company shall get the full fledged operative Retail Design developed by the Transferor Company as per the scenario best suitable to the Retail Industry.
- The Transferor Company has developed the retail stores all over the Country at the most viable locations to reach out to maximum customers. The Transferee Company will take the benefit of having more than 80 retail stores already operational on most favorable terms on account of its Occupancy Cost (Rent and Common Area Maintenance Expenses) which is very difficult to establish in the present scenario.
- The sequence of events in the Retail Industry has proved that no Retail company can survive without substantial systems, processes and infrastructure. These systems, processes and infrastructure can be developed by people who have hands on experience in the industry and have gone through the grilling process over the years to put in place an integrated structure comprising of:-
 - Retail Site Selection & Development of Ideal Retail Model
 - Procurement & Merchandising
 - Inventory Management
 - Information Management
 - Information Technology for Inventory Management, CRM & MIS Reports
 - Visual Merchandising and Display
 - Operations and Sales Staff
 - Customer Service & Shopping Experience
 - Finance, Accounts and Audit
 - Market Trend & Business Forecast



- The Transferee Company has established system of understanding trends, developing products, controlling assets, training people at front and back end.
- The Transferee Company, being a listed Company, has easier and greater access to the sources of funds and having fair Credit Rating, enjoys better interest rates from its bankers and cost of funds (Term Loan/Working Capital Loan) shall be cheaper as compared to the Transferor Company. Further, the Transferee Company can also enhance its credit facilities in case of need for pursuing expansion program of its retail chain. It may also raise fund from public or other alternate source by leveraging its Balance Sheet. Therefore, the Transferee Company has greater access to the sources of funds.
- The Transferee Company will be able to get fast expansion because of readily available good Infrastructure of Retail Company with trained Human Resource (HR) Team. The Transferee Company will be able to expand end number of stores with existing team which will provide increased top line and bottom line as well. Further, financing cost for expansion will also be cheaper.
- The manufacturing facilities of the Transferor Company will be benefitted due to the manufacturing strength & core competence of the Transferee Company.
- The Merger will help reducing costs in areas such as Inventory, Procurement, Administrative Cost, HR Cost, Travelling, Advertising & Sales promotion by avoiding duplication of operations.
- The Transferee Company will be able to get the leverage of Common Administrative Expenses like Travelling, HR, Business Promotion, Advertising and other Administrative Expenses.
- It will provide greater efficiency in cash management of the amalgamated entity and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities to maximize shareholder value.



- It will help to achieve greater integration, financial strength, cost savings in terms of economies of scale, more focused operational efforts, rationalisation, standardisation, simplification of business processes and productivity improvements.
- The Synergies that exist between the two entities can be put to the best advantage of all stakeholders.
- Above all, it will make the Company, Brand and Business strong and more powerful resulting in growth of business and profitability and will increase shareholders wealth on continual basis.

2.2. The salient features of the Scheme are as under:

(a) Amalgamation of Liberty Retail Revolutions Limited (Transferor Company) with Liberty Shoes Limited (Transferee Company)

(b) Appointed date of 1st April, 2013

(c) No shares would be issued to the shareholders of Transferor Company pursuant to the Scheme since Transferor Company is a wholly owned subsidiary of the Transferee Company

2.3 The Audit Committee noted that the Company has obtained a certificate from its Statutory Auditors providing comments on the accounting treatment prescribed in the Scheme.

3. Recommendations of the Audit Committee

Based on the above, the Audit Committee recommends the draft Scheme, proposed to be considered by the Board of Directors of the Company, for favourable consideration by the Board of Directors.

Date: 13th February, 2013

For Liberty Shoes Limited

Place: Libertypuram, Karnal



Munish Kakra

Vice President & Company Secretary