FUTURE CAPITAL HOLDINGS LIMITED

6th Annual Report 2010- 11

FOCUSED ON DELIVERY.

COMMITTED TO GROWTH.

FUTURE CAPITAL

CONTENTS

The Indian growth story is compounding by the year and through the decade.

Buoyed by the spiralling consumer graph and enthused by the ever-evolving needs of the aspiring middle class.

Throwing up new opportunities and new challenges, and transforming the consumption patterns of the country into a dynamic landscape of futuristic growth.

And inspiring us at FCH, to infuse a new dynamism into our business model, more focused on delivery, and more committed to growth than ever before.

In many ways, 'Focused on delivery. Committed to growth' represents our corporate ethos, which is our business strategy, and is manifested in the new growth horizons.

Our commitment is to identify new horizons that make us more focused on encashing the burgeoning opportunities of the India of today and deliver more to each of our stakeholders – customers, shareholders, partners and employees.

CHAIRMAN'S LETTER

"The heart of a successful financial services company is always its people, its leadership and the talent that they bring on the table. And when we decided to bring in change at Future Capital, we knew we had to start with the leadership team and the talent within the company."

Dear Stakeholders,

I am pleased to share with you the Annual Report of your company for the year 2010-2011. It has been a year of transformative change within and outside Future Capital Holdings. The Indian economy showed its resilience towards external financial shocks and maintained a healthy rate of growth. At Future Capital, we realised the need for change and transformed ourselves to make the best of the new opportunities that are coming up in the financial and consumption space in India.

The heart of a successful financial services company is always its people, its leadership and the talent that they bring on the table. And when we decided to bring in change at Future Capital, we knew we had to start with the leadership team and the talent within the company.

I am happy to share with you that this year we welcomed three new independent directors on our board. Mr. Anil Singhvi is well known for his long association and stewardship at Ambuja Cements. What is lesser known is his association and mentoring of a number of educational and social initiatives across the country. Joining him is Mr. N. C. Singhal, a highly respected member of India's financial community, former board member of ICICI Ltd. and a professional with diverse experience in the banking and financial sectors in countries across Asia and Europe. Last but not the least, we are happy to welcome Mr. Pradeep Mukerjee, formerly Human Resources Director at Citigroup, to aid and advise us on the talent-led transformation in the company.

However, the most significant development that is now poised to take Future Capital to new heights is the coming on board of Mr. V. Vaidyanathan. Mr. Vaidyanathan has long been considered among the young leaders who have changed the financial services business in India through reach, technology, scale and innovation. Mr. Vaidyanathan joined Future Capital as the Vice Chairman and Managing Director in August 2010. His association with ICICI Bank and his achievements are rather well documented. He was on the board of ICICI Bank and set up and managed the bank's retail banking business, since its inception in 2000, till 2009. The business built included 1400 branches, retail deposits, mortgages, other consumer loans, SME and Rural Banking and he and his organisation won many awards, domestically and internationally for these achievements. More recently, he had moved to ICICI Prudential Life Insurance as the MD and CEO, a position he held before his current move. An alumnus of Harvard Business School, Mr. Vaidyanathan was also with Citibank for a decade.

Mr. Vaidyanathan has also been successful in attracting and nurturing a team that is now growing the consumer business, as well as strengthening the balance sheet and asset quality of the company. Some of the best names have joined him as senior management, who we believe will take the company to great heights.

In the last couple of years, we had tried leveraging Future Group's extensive retail and distribution network to distribute financial products to customers. These attempts have now given us knowledge and insights on how a conventional consumer retail network can be leveraged by a financial services business and create a symbiotic relationship for both entities. In the forthcoming year, the Future Capital is well set to leverage the Future Group's network to set up financial services superstores in over 100 stores in Future Group Stores. We are now confident that we will be successful in rolling this out and create a unique business proposition.

With the unmatched opportunities that India provides along with the exceptional organisational capabilities that have been developed in your company, our objective is to build a world-class financial services organisation here in India. And to enable this we humbly solicit your continued trust and wishes in turning our objective into a reality.

Kishore Biyani
Chairman
Future Capital Holdings

MD'S LETTER

"This is the first time I am writing to you after taking the assignment, I thought it important to describe to you our approach, what business model we have chosen and how we plan to build strong positions in these."

Dear Stakeholders,

I take immense pleasure in presenting the Annual Report of Future Capital Holdings 2010-11.

The last year has been an interesting one for India and India Inc. The undertone was one of quiet confidence. While the incremental rate of investments slowed down, consumption continued to remain strong. While interest rate hardened, businesses continued to borrow- either to expand operations or to complete existing projects. Overall, the growth momentum of the past decade continued to drive India ahead, even as the RBI had to raise interest rates to tame inflation.

Since this is the first time I am writing to you after taking the assignment, I thought it important to describe to you our approach, what business model we have chosen and how we plan to build strong positions in these. Our key focus areas for the year were:

a) To build a strong and talented management team aligned to the overall objectives of professionalism and growth,

b) To drive growth of the business in the chosen segments,

c) To raise funding for continued growth and reduce the cost of funds,

d) To reduce and maintain control over NPAs and consistently maintain high asset quality, and

e) To carry out corporate actions those are necessary to the release of capital.

In summary, the focus was to strengthen the platform for scaling up our businesses.

It always starts with people. I am happy to report to you that your Company swiftly moved early in the year to build a top notch senior management team. We have a new look team and we carefully hand-picked each member of this team for their entrepreneurial drive, excellent and proven accomplishments and finally high personal and professional standards achieved by working in professional organisations like Merrill Lynch, Rabo Bank, Citigroup, Standard Chartered Bank and Morgan Stanley. As we look back at the year, we are immensely happy with the quality of the team we have built. All of us share a common aspiration to build a company we are proud of.

Your Company has chosen its business lines very carefully. While choosing these business lines we were conscious that we would like to build businesses which provide for good margins, are secured and can handle economic cycles better.

Our thinking is as follows. As a NBFC, our cost of funds are relatively higher as compared to banks. So we will continue to explore such businesses that banks' have traditionally found it either difficult to focus on or have left out as white spaces and where FCH can develop a competitive advantage.

Based on the above strategy, we have zeroed in on the following segments. We like the consumer durable business built over the last few years, and we continued to scale it up. We started providing mortgage finance to SMEs against their property as collateral, which has emerged as one of our main line of business this year. We have built an elaborate mechanism to carry out legal due diligence, check cash flow capabilities of borrowers and turn these around fast to our esteemed customers. The other new business which your Company has started this year is Gold Loans. We have opened 39 new dedicated branches for gold loans and have laid the foundation for this business. We have discontinued the business of self-employed personal loans.

On the wholesale side, we already have an excellent business model developed over many years, with exceptionally good credit performance. We provide promoter financing and senior secured debt on projects backed by escrow of cash flows and we continue to build this business.

"As you can see the foundation are firmly in place and our business in the chosen areas are scaling up. I am confident that the profitability of your Company will substantially improve in the coming years. I am also confident that we will build your Company to substantial scale and be uniquely positioned in the chosen areas."

Across these businesses, we grew the loan book managed by us from ₹ 14.92 billion to ₹ 31.45 billion.

We have ensured checks and balances by having verticals for sales, credit and operations, which is a classical foreign bank-private sector bank model. All our credit decisions are supported by CIBIL credit bureau checks and credit scoring for objective and statistically valid decision making.

In order to complete the suite of offerings from the customer's point of view and also to generate quality fee income, your Company has also commenced its Wealth Management business this year. We also acquired 50% stake in a broking company from our JV partner, towards the end of the year. With these initiatives, we are now confident of providing complete solutions to customers across all common needs for a customer, i.e. borrowing, investing and protection.

During the year, we have leveraged the Networth by raising debt through NCDs, Bank lines and CPs, from ₹ 11.75 billion to ₹ 26.23 billion. As you are aware, the Base Rate of most banks went up by about 175 to 200 bps during the year. Despite this, our borrowing rates from banks in Jan-March 2011 were lower than our bank borrowing in April-June 2010. This shows the confidence of the financial markets in our strong business model and our people.

Your Company focused on reducing NPAs with missionary zeal. Together as a combination of many factors, some systemic and some driven by your Company, the gross NPAs came down sharply during the year from 3.73% in FY10 to 0.25% in FY11 and the Net NPAs came down from 1.63% in FY10 to 0.06% in FY11. In absolute terms, the Gross NPAs came down from ₹ 560 million to ₹ 70 million and net NPAs from ₹ 240 million to ₹ 18 million.

During the year, your Company undertook three significant corporate actions:

1. We exited our joint venture with Centrum Capital Limited in the Forex business by selling our 50% stake to the partner, this released the equity invested by us in this company.
2. As part of the same arrangement, we bought out Centrum Capital Limited's 50% stake in the broking business and took management control of this business to generate fee income and complete our customer proposition in the wealth segment.
3. We merged the subsidiary Future Capital Financial Services Limited (FCFS) with the parent Future Capital Holdings Limited and this helped us release guarantees on loans by the subsidiary, improved capital adequacy and helped us meet RBI's concentration norms.

Consequent to these corporate actions, we have a neater structure and significant capital was released which can now be used for growth. Your Company's capital adequacy remained high at 23.5% despite almost doubling the loan book.

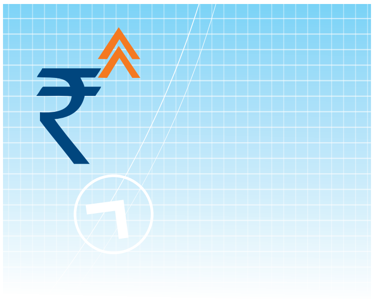
Your Company's PBT grew from ₹ 602 million to ₹ 838 million, an increase of 39.2%. Adjusting for the tax treatment because of the merger, the Profit After Tax reduced from ₹ 590 million to ₹ 490 million, a decrease of 17%.

Coming to the year ahead, your Company has many opportunities. We will open over 100 FCH Branches in Future Group stores which will give us unprecedented access to millions of customers and branches in financial stores which will be one of our significant USPs. The completeness of our product suite across all needs will help us leverage these branches.

As you can see the foundation are firmly in place and our business in the chosen areas are scaling up. I am confident that the profitability of your Company will substantially improve in the coming years. I am also confident that we will build your Company to substantial scale and be uniquely positioned in the chosen areas.

I thank you for your support and trust.

V. Vaidyanathan
Vice Chairman & Managing Director
Future Capital Holdings



COMMITTED TO GROWTH IN RETAIL BUSINESS

Fast-paced and growing. It's a business that is on the move – surging to new levels of expansion. Moving in tandem with the exponential growth opportunity in the retail market. Offering a ₹ 3 trillion market opportunity that FCH is ideally positioned to capture and exploit. And for which FCH already has a strategic blueprint in place, with 90 branches spread over 40 cities pan India through which it disburses retail credit, including Loan Against Property, Gold Loans, Consumer Durable Loans, and also offers a full suite of services to the customers, including Wealth Management, Equity, Real Estate and Securities Broking.

THE FCH PROPOSITION

It's a unique approach that is focused on exceptional delivery and is founded on our commitment to ensure exponential growth for ourselves, and for each of our stakeholders. With focus on loans against property and gold, and loans to buy consumer durables, the FCH portfolio extends across the country.

FCH's presence in the lucrative property and gold loan segments of the financial services business has set the pace and the foundation for the Company's growth into a leading retail non-banking financial company (NBFC) in the country.

Mortgage Loans to SMEs: This fast-growing portfolio currently constitutes the biggest segment of FCH's retail business. The Company assists SMEs in their working capital requirements to grow their business. This is a large market and is likely to grow at a strong pace going ahead.

Loan against Gold: Another lucrative area of growth, this is a new business for FCH, which forayed into it in 2010-11. With gold traditionally considered, in India, as a viable and sound loan option, we expect this business to multiply over the next few years, to contribute a substantial chunk of our revenue growth.

Consumer Durable Loans: Our commitment to growth is manifest not only across our new businesses but also extends to our existing portfolios, such as Consumer Durable loans. Consumer Durable loans help in building relations with millions of customers bringing joy to the many homes.

The Company's aim is to be a preferred partner in helping its clients succeed in the rapidly evolving financial markets by providing innovative product solutions, high level of convenience and service supported by robust technology.

OUTLOOK

As consumption levels continue to drive growth and aspirations translate into achievable goals through easy and secure finance options, FCH is all geared to give a further impetus to its retail business by increasing its exposure in this segment. FCH aims to become India's first 'consumer-centric' provider of financial products and services, and is looking at opening 100 branches at Future Group outlets which will offer Consumer Durable Loans, Gold Loans, Home Loans, Auto Loans and Mortgage Loans to SMEs along with a full suite of services to the customers, including Wealth Management, Real Estate, Securities Broking and Investment products.

FOCUSED STRATEGY TO DELIVER MORE IN CORPORATE LENDING

Focused growth through focused strategy. Even as FCH increases the Retail business as a percentage of the total Portfolio, FCH continues to expand its existing Corporate Lending business to leverage the buoyancy in the Indian economy to its advantage. The Company's growth strategy in this segment involves utilisation of its immense potential, particularly in promoter financing, construction financing and project financing to select reputed names with strong collaterals.

The Company's business model for Corporate/ Wholesale Lending focuses on achieving growth through senior secured lending to companies with proven track record of repayment.

The Company insists on prime collaterals, cash flow analysis and liquid securities for lending in this business.

The Company reported 69% growth in this business during 2010-11 over the previous fiscal.

The Company's strong in-house capabilities give it a competitive edge in the industry and, as overall economic activities expand, it is bound to translate into an increase in the Corporate Lending business, which will continue to be an important business segment in the years to come.

The Company's business model for Corporate/ Wholesale Lending focuses on achieving growth through senior secured lending to companies with proven track record of repayment.

A NEW LOOK. A NEW FOCUS.

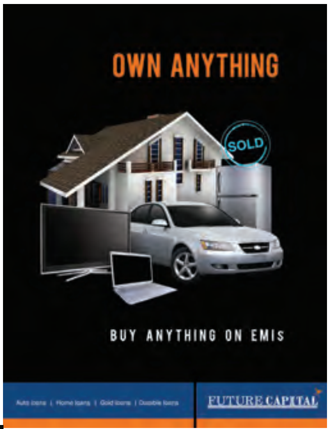
New outlook, new solutions and new paradigm.

FCH goes contemporary with a whole new approach to Consumer Finance.

Aligning itself to creating a world of possibilities for the new age Indian consumer, our new logo, through a unique symbol and a vivacious mix of colours, aims to project the dynamism of the Company.

The rectangular shape of the logo is indicative of the solidness of FCH as an organisation rooted in integrity, and transparent processes & practices. As distinctive and representative as the flags of various nations, the Company's flag (a mix of blue and orange) beautifully and boldly captures its strong values of wisdom, faith and loyalty (represented by blue) and warmth, vibrancy, honesty (indicated by orange). The pillar is a sign of the strength and leadership that enables the Company to foster creativity and encourage innovation.

Together, these myriad symbols and colours build the image of a strong, focused, vibrant and dynamic entity that is ideally positioned to capture the plethora of opportunities in the ever emerging consumer finance business.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Mr. Kishore Biyani

Vice Chairman & Managing Director
Mr. V. Vaidyanathan

Non-Executive and Independent Directors
Mr. Gyanendra Nath Bajpai
Mr. Shailesh Haribhakti
Mr. N. C. Singhal
Mr. Anil Singhvi
Mr. Pradeep Mukerjee
Mr. Krishan Kant Rathi

HEAD CORPORATE CENTER & CHIEF FINANCIAL OFFICER
Mr. Ashok Shinkar

HEAD - LEGAL & SECRETARIAL
Mr. Chetan Gandhi

STATUTORY AUDITORS
S. R. Batliboi & Co.

BANKERS
Andhra Bank
Central Bank of India
Corporation Bank
Deutsche Bank AG
HDFC Bank Limited
IDBI Bank Limited
Indian Overseas Bank
United Bank of India
The Federal Bank Limited
Yes Bank Limited
State Bank of India

SHARE TRANSFER AGENTS
Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai - 400 078.
Tel. No.: +91 22 2594 6970
Fax No.: +91 22 2594 6969
E-mail : rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

REGISTERED OFFICE
FCH House, Peninsula Corporate Park,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai - 400 013.

CORPORATE OFFICE
52, Kalpataru Synergy, (West Wing)
Opp. Grand Hyatt Hotel, Santacruz (E),
Mumbai - 400 055
Tel No. : +91 22 6642 3480
Fax No.: +91 22 6642 3401
E-mail : fch.contactus@futurecapital.in
Website: www.futurecapital.in

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Sixth Annual Report of your Company with the audited statement of accounts for the year ended 31st March, 2011.

FINANCIAL HIGHLIGHTS

STANDALONE PERFORMANCE

The highlights of the standalone financial results of the Company for the financial years 2010-11 and 2009-10 are as under:

(₹ In million)

Particulars	Standalone *	
	2010-11	2009-10
Total Income	2,637.28	558.00
Total Expenditure	1,885.39	350.00
Profit Before Tax	751.89	208.00
Provision For Tax	199.28	34.82
Profit After Tax	552.61	173.18
Profit brought forward from previous year / period	210.94	146.73
Profit available for appropriation	**763.55**	**319.91**
Appropriations:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	110.52	34.64
Proposed Dividend	97.18	63.53
Dividend Tax thereon	15.76	10.80
Transfer to general reserve	27.63	-
Balance carried forwarded to Balance Sheet	512.46	210.94

CONSOLIDATED PERFORMANCE

The highlights of the consolidated financial results of the Company for the financial years 2010-11 and 2009-10 are as under:

(₹ In million)

Particulars	Consolidated *	
	2010-11	2009-10
Total Income	4,015.14	2,516.50
Total Expenditure	3,176.57	1,914.85
Profit Before Tax	838.57	601.65
Provision For Tax	347.36	9.00
Profit After Tax	491.21	592.65

* 1. The financial accounts for 2010-11 have been prepared after giving effect to the Scheme of Arrangement between the Company and Future Capital Financial Services Limited (FCFS) as approved by the Hon'ble High Court of judicature at Bombay, inter alia providing for amalgamation of FCFS into the Company and hence, are not comparable with that of 2009 -10.

* 2. The financial accounts of the current year are also not comparable with the previous year as the investment advisory services business and income and costs thereof have been realigned and the current year's performance is based on the income and costs related to the retail and wholesale lending business of the Company only.

The Company is focused on wholesale and retail credit, which is expected to drive growth for the Company going forward. The Company has grown its outstanding Loan Book to ₹ 28,548 million from ₹ 14,951 million. The Retail Loan Book has grown from ₹ 2,910 million to ₹ 8,144 million. The Wholesale Book expanded from ₹ 12,041 million to ₹ 20,404 million. Both Retail and Wholesale Loan Book grew during the year, but the proportion of the Loan Book tilted more towords Retail this year.

The Net-worth of the Company increased from ₹ 6,909 million to ₹ 7,469 million as at 31st March 2011.

The Company has brought down its gross NPAs from ₹ 558 million to ₹ 71 million and net NPAs from ₹ 244 million to ₹ 18 million pursuant to better asset quality / policies, which is now largely secured with adequate collateral, significantly more conservative provisioning norms and improved collections.

In the current year, the Company has made a standard asset provision of ₹ 74 million pursuant to the guidelines issued by Reserve Bank of India.

Consolidated Net Interest Income increased 63% from ₹ 786 million during financial year ending 31st March, 2010, to ₹ 1,285 million during the financial year ending 31st March, 2011. This was largely on account of a larger Loan Book in comparison to the previous year.

Though the Profit Before Tax was up by 39%, the Profit After Tax was down by 17% to ₹ 491 million from ₹ 593 million in previous year. This was essentially due to a one time impact of non availing of the MAT credit and deferred tax charge pursuant to the scheme of merger of FCFS with your Company. Consequent to this, there is a provision for MAT of ₹ 56 million and net deferred tax charge of ₹ 32 million in the current year. Also, in the last year the Company had a brought forward loss of ₹ 84 million which is not the case in the current year eventually leading to higher tax liability.

DIVIDEND

Keeping in mind the overall performance and the outlook for your Company, the Directors are pleased to recommend a dividend of ₹ 1.5/- (Rupees One and Paise Fifty Only) per share i.e. 15 % on each Equity Share of ₹ 10/- (Rupees Ten Only). The dividend would be paid to all the shareholders, whose names appear on the Register of Members / Beneficial Holders List on the Book Closure Date.

DIRECTORS' REPORT (CONTD.)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Management Discussion and Analysis of the financial condition and result of consolidated operations of the Company for the year under review, is annexed and forms an integral part of the Directors' Report.

SHARE CAPITAL

During the year under review, the issued, subscribed and paid-up capital of the Company increased from ₹ 63,52,79,840/- to ₹ 64,78,34,840/- as at the end of the financial year.

During the year under review, the Company issued and allotted 5,35,000 and 7,20,500 equity shares of ₹ 10/- each, on exercise of Stock Options granted to employees under FCH Employee Stock Option Scheme - 2007 and FCH Employee Stock Option Scheme - 2008, respectively. Consequently, the issued, subscribed and paid-up capital increased by 12,55,500 equity shares of ₹ 10/- each.

Further, pursuant to the approval given by the Members of the Company vide Special Resolution passed at the Extraordinary General Meeting held on 27th August, 2010, the Company allotted 1,00,00,000 convertible warrants, convertible into equal number of equity shares of the Company of ₹ 10/- each, at the premium of ₹ 227/- each, aggregating to an Issue Price of ₹ 237/- each.

Subsequent to the year under review, the Company issued and allotted 15,000 (Fifteen Thousand) Equity Shares of ₹ 10/- each, on exercise of Stock Options granted to an employee under FCH Employee Stock Option Scheme – 2008 and consequently, the issued subscribed and paid-up capital stands increased from ₹ 64,78,34,840/- to ₹ 64,79,84,840/-.

SUBSIDIARIES

During the year under review, under the Scheme of Arrangement (Scheme), pursuant to the provisions of Section 391 to 394, 78 and 100 to 103 of the Companies Act, 1956, sanctioned by Hon'ble High Court of Judicature at Bombay, Future Capital Financial Services Limited (FCFS), a Wholly Owned Subsidiary of the Company and a Systemically Important – Non Deposit Taking - Non Banking Financial Company (SI-ND-NBFC) registered with the Reserve Bank of India (RBI), amalgamated with the Company and dissolved without being wound-up.

The Company also incorporated a new company as its subsidiary viz. Future Capital Home Finance Private Limited (FCHF) which may be used to make a foray into housing finance business. The company will decide to make necessary applications in the matter based on the strategy.

Upon receipt of the necessary approvals from the RBI and the Financial Services Commission, Mauritius, the Company acquired Anchor Investment & Trading Private Limited, a private limited company incorporated under the laws of Mauritius, to make its foray into investment advisory business for overseas clients through such subsidiary.

The Company sold its entire equity stake (representing 50% of the paid-up capital) in Realterm FCH Logistics Advisors Private Limited (presently known as Realterm Everstone Investment Advisors Private Limited) pursuant to an arrangement with Everstone Investment Advisors Private Limited (presently known as Everstone Capital Advisors Private Limited), to realign the investment advisory activities with a view of having a focused and dedicated approach to the investment advisory business.

The Company had two Joint Ventures (JVs) with Centrum Capital Limited viz. FCH CentrumDirect Limited (FCH CDL) and Future Capital Securities Limited (formerly known as FCH Centrum Wealth Managers Limited) (FCSL). During the year, the Company reviewed its strategy of being in the Forex Business through a JV and exited from FCH CDL by selling all of its holding in the JV. The Company, as a part of its strategy to focus on fee based income from retail broking, acquired the entire equity stake of its JV partner and accordingly, FCSL has become the wholly owned subsidiary of the Company. With the acquisition of FCSL, the Company has made its foray into the Stock Broking and Wealth Management business.

With an objective of making a foray into the Commodities Broking in addition to Stock Broking carried out by FCSL, necessary changes / amendments were carried out by Axon Development Solutions Limited including its name which now stands changed to Future Capital Commodities Limited (FCCL). For a flexible corporate structure, the Company transferred entire equity stake in FCCL to FCSL. FCCL is in the process of making an application to all the leading commodity exchanges for obtaining their membership to commence the business.

In terms of the approval granted by the Ministry of Corporate Affairs (MCA) under Section 212(8) of the Companies Act, 1956 and the General Circular No. 2/2011 & 3/2011 of the Ministry of Corporate Affairs, dated 8th and 21st February, 2011, respectively, copies of the Balance sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the Subsidiaries of the Company have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same and these documents are also kept for inspection by any Member at the Corporate Office of the Company and the Subsidiaries. However, as directed by the MCA, the financial data of the Subsidiaries has been furnished under 'Details of Subsidiaries', forming part of the Audited Accounts. Further, pursuant to Accounting Standard (AS - 21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report includes financial information of its Subsidiaries.

SCHEME OF ARRANGEMENT

On 2nd November, 2010, the Directors of the Company and Future Capital Financial Services Limited (FCFS) approved carrying out of a Scheme of Arrangement (Scheme), under the provisions of Section 391 to 394, 78 and 100 to 103 of the Companies Act, 1956, inter

DIRECTORS' REPORT (CONTD.)

alia, providing for Amalgamation of FCFS, a Wholly Owned Subsidiary of the Company and a SI-ND-NBFC, registered with the RBI, with the Company.

Pursuant to the directions of Hon'ble High Court of Judicature at Bombay, the Company convened and held the Meeting of the Shareholders of the Company on 17th February, 2011. At the said Meeting the requisite majority of the Shareholders approved the Scheme in accordance with the provisions of the Companies Act, 1956.

Your Directors are pleased to inform that Hon'ble High Court of Judicature at Bombay, vide its order dated 17th June, 2011, has approved the Scheme and having fulfilled all the prescribed conditions to make the Scheme effective, the Company and FCFS gave effect to the Scheme and the Scheme was made effective on 29th June, 2011.

PUBLIC DEPOSITS

The Company being a Non Deposit Taking - NBFC has not accepted any deposits from the public during the year under review and shall not accept any deposits from the public without obtaining prior approval of the RBI.

RBI GUIDELINES

The Company has complied with the Regulations of the Reserve Bank of India as on 31st March, 2011, as are applicable to it as a SI-ND-NBFC.

CAPITAL ADEQUACY

The Company's capital adequacy ratio was 23.47% as on 31st March, 2011, which is significantly above the threshold limit of 15% as prescribed by the Reserve Bank of India.

CREDIT RATING

On a consolidated basis, during the year under review, Credit Analysis & Research Ltd. (CARE) retained the "PR 1+" (pronounced "PR One Plus"). The grade of Rating is the highest Rating issued by CARE for short term debt instruments and indicates strong capacity for timely payment of short term debt obligations and further indicates that the borrowing carries lowest credit risk. During the year under review the short term borrowing programme of ₹ 6,000 million and the Rating thereof has been further enhanced to ₹ 7,000 million.

CARE has also assigned the "CARE A+" (pronounced "Single A Plus") Rating for the Secured Redeemable Non Convertible Debentures (NCDs) for an aggregate amount of ₹ 6,000 million during the year. The grade of Rating indicates that the NCDs carry low credit risk and offer adequate safety for timely servicing of debt obligations. The NCDs are also rated by Brickwork Ratings India Private Limited (Brickwork) and it has assigned the "BWR A+" (pronounced "BWR A Plus") Rating to the same for issue size upto ₹ 5,500 million. This grade of rating indicates that the NCDs are considered to offer adequate credit quality in terms of timely servicing of debt obligations and further indicates "Stable" outlook.

Brickwork has assigned the "BWR A+" (pronounced "BWR A Plus") Rating to the proposed Unsecured Subordinated Debt Issue of the Company for ₹ 2,000 million. This grade of rating indicates that the instruments are considered to offer adequate credit quality in terms of timely servicing of debt obligations and further indicates "Stable" outlook.

CARE has also assigned the "CARE A+" ("Single A Plus") Rating ("Rating") in respect of the long-term bank loan facilities of the Company aggregating to ₹ 8,500 million, having tenure of more than one year. Facilities with this rating are considered to offer adequate safety for timely servicing of debt obligations and carry low credit risk.

RESOURCES AND LIQUIDITY

On a consolidated basis, during the financial year 2010-11, the Company raised ₹ 5,141 million, by issuance of NCDs through private placement, ₹ 7,000 million by issuance of Commercial Papers and ₹ 8,750 million through Banks in the form of Term Loans, Cash Credit and Overdraft Facilities.

The Company's debt-equity ratio as on 31st March, 2011, stands at 3.46:1.

DIRECTORS

During the year under review, the Board of Directors (Board) on the recommendation of the Compensation and Nomination Committee, at its meeting held on 1st August, 2010, pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company and other applicable provisions, appointed Mr. V. Vaidyanathan as an Additional Director and designated him as the Vice Chairman & Managing Director within the meaning of the Companies Act, 1956. Subsequently, at the Extraordinary General Meeting held on 27th August, 2010, the shareholders of the Company approved appointment of Mr. Vaidyanathan as the Vice Chairman & Managing Director and payment of remuneration to him, subject to necessary regulatory approval(s).

Further, pursuant to the provisions of Section 260 of the Companies Act, 1956, the Articles of Association of the Company and other applicable provisions, in order to strengthen the Board, the Company appointed Mr. N. C. Singhal, Mr. Anil Singhvi and Mr. Pradeep Mukerjee as the Additional Directors with effect from 23rd September, 2010 and pursuant to the Clause 49 of the Listing Agreement with the Stock Exchanges they are the Non-Executive Independent Directors.

Mr. Sameer Sain and Mr. Alok Oberoi resigned from the Board with effect from 10th August, 2010 and 30th October, 2010, respectively.

Mr. Krishan Kant Rathi resigned from the office of the Manager within the meaning of the Companies Act, 1956. However, he continues to be on the Board as a Non-Executive Director.

DIRECTORS' REPORT (CONTD.)

In accordance with Sections 255 and 256 of the Companies Act, 1956, read with the Articles of Association of the Company, Mr. Kishore Biyani, Chairman and Mr. Shailesh Haribhakti, Non-Executive Independent Director, retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

Pursuant to Section 260 of the Companies Act, 1956, Mr. Vaidyanathan, Mr. N. C. Singhal, Mr. Anil Singhvi and Mr. Pradeep Mukerjee hold office as Directors upto the date of the ensuing Annual General Meeting but are eligible to be appointed as Directors. Approval of members for their re-appointment is being sought at the ensuing Annual General Meeting.

Brief resumes of Mr. Kishore Biyani, Mr. V. Vaidyanathan, Mr. Shailesh Haribhakti, Mr. N. C. Singhal, Mr. Anil Singhvi and Mr. Pradeep Mukerjee, nature of their expertise in specific functional areas and names of companies in which they hold directorship and/or membership/chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, are annexed and form part of this Report (Annexure 1).

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

i) that in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.

ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.

iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) that the Directors have prepared the annual accounts for the financial year ending 31st March, 2011, on a going concern basis.

GROUP

Pursuant to an intimation from the Promoter(s) and in accordance with Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (SEBI Regulations) identification of persons constituting "Group" (within the meaning and as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of the SEBI Regulations is annexed and forms part of this Report (Annexure 2).

CONSOLIDATED FINANCIAL STATEMENTS

The Audited Consolidated Financial Statements are provided in this Annual Report. These statements have been prepared on the basis of the financial statements received from Subsidiaries, as approved by their respective Board of Directors.

AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have expressed their willingness to continue, if so appointed. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written confirmation from the Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said Section.

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

PARTICULARS OF EMPLOYEES, EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEES STOCK PURCHASE SCHEME

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of certain employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Directors' Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Members who are interested in obtaining such particulars may write to the Company.

The Members of the Company vide Special Resolutions passed through Postal Ballot dated 16th March, 2011, approved the FCH Employees Stock Option Scheme – 2011 (FCH ESOS – 2011) for the Company, its Holding and Subsidiary Companies. However, during the financial year 2010 - 11 the Company has not granted any Options under the FCH ESOS – 2011.

The disclosure(s) as required under the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, are annexed and form part of this Report (Annexure 3).

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

The requirements of disclosure with regard to Conservation of Energy in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable to the Company.

DIRECTORS' REPORT (CONTD.)

The Company's activities do not require any technology to be absorbed as mentioned in the aforesaid Rules. However the Company makes all efforts towards conservation of energy, protection of environment and ensuring safety.

The details of the earnings and outgo in Foreign Exchange during the year under review are provided as Note No. C13 of the Schedule 16 (Notes to Accounts) of the Balance Sheet as at 31st March, 2011. The Members are requested to refer to the said Note for details in this regard.

CORPORATE GOVERNANCE

Report on Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges, forms part of the Annual Report.

A Certificate from the Auditors of the Company, M/s. S. R. Batliboi & Co., Chartered Accountants, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, also forms part of the Annual Report.

HUMAN RESOURCE MANAGEMENT

Skilled and motivated employees are one of the corner stones of our business. We focus on meeting the skill gap and providing skilled manpower wherever required. We ensure a favorable work environment for all our employees. Our recruitment and human resources management set up enables us to attract and retain employees.

ACKNOWLEDGEMENT

We are grateful to the Government of India, concerned regulatory authorities including the Reserve Bank of India, the Securities and Exchange Board of India, the Stock Exchanges, Insurance Regulatory and Development Authority of India and other regulatory authorities for their valuable guidance and support and wish to express our sincere appreciation for their continued co-operation and assistance. We look forward to their continued support in future.

We wish to thank our bankers, rating agencies, customers and all other business associates for their support and trust reposed in us.

Your Directors express their deep sense of appreciation for all the employees whose commitment, co-operation, active participation, dedication and professionalism has made the organisation's growth possible.

The Directors thank you for your continued trust and support.

On behalf of the Board of Directors

Sd/-
Kishore Biyani
Chairman

Mumbai, 30th June, 2011

ANNEXURE 1 TO DIRECTORS' REPORT

I) Mr. Kishore Biyani

Mr. Kishore Biyani is the Non-Executive Chairman of the Company. He is the Managing Director of Pantaloon Retail (India) Limited and Future Ventures India Limited. He is the driving force behind the concept of organized retail in the group comprising of Pantaloon fashion stores, Big Bazaar discount stores, Central Malls and other store formats. He has over 25 years of experience in the field of manufacturing and marketing and is being considered as pioneer of the organized retail in India.

Mr. Biyani has received several awards including the 'CEO of the Year - 2001', 'The most Admired Retailer of the Year - 2004', 'The Retail Face of the Year - Images Retail Awards 2005' and 'The E&Y Entrepreneur of the Year - Services - 2006'.

Mr. Biyani, aged 50, is a Commerce Graduate from University of Mumbai and has completed Post-graduate diploma in marketing management.

The details of the directorship and / or membership / chairmanship of committees of the Board (viz. the Audit Committee and Shareholders' / Investors' Grievances Committee) of Mr. Biyani in other Companies (except private companies, Section 25 companies and foreign companies) as on the date of the Report, are as follows;

Sr. No.	Name of the Company	Committee positions held	
		Chairman	Member
1	Jagran Prakashan Ltd.	-	√*
2	Future Ventures India Ltd.	-	√*
3	Pantaloon Retail (India) Limited	-	-
4	Galaxy Entertainment Corporation Limited	-	-
5	Future Media (India) Ltd.	-	-
6	Future General India Insurance Company Limited	-	-
7.	Future Generali India Life Insurance Company Limited	-	-
8.	Kumar Urban Development Limited	-	-
9.	Fame India Limited	-	-
10.	Future Corporate Resources Limited	-	-

* indicates membership / chairmanship of Audit Committee and ^ indicates membership / chairmanship of Shareholders' / Investors' Grievances Committee

Mr. Biyani is one of the Promoters of the Company and holds 47,73,795 equity shares of the Company as on 31st March, 2011. He has been allotted 80,00,000 convertible warrants convertible into equal number of equity shares of the company of ₹ 10 each at an issue price of ₹ 237 each.

II) Mr. V. Vaidyanathan

Mr. Vaidyanathan is the Vice Chairman & Managing Director of the company. Prior to this, he was the Managing Director and Chief Executive Officer of ICICI Prudential Life Insurance Company Limited. He was earlier on the Executive Board of ICICI Bank and brings with him nearly two decades of experience in the financial services domain. He was also the Chairman of ICICI Home Finance Company and has served on the boards of ICICI Lombard General Insurance and CIBIL, India's first credit bureau.

He joined the ICICI Group in early 2000 and set up and managed the growth of ICICI Bank's retail banking business from a nascent stage. He has taken the concept of consumer banking across the country through reach and technology. He built a strong retail banking business that included 1,400 ICICI bank branches in 800 cities, 25 million customers, USD 30 billion in consumer and mortgage loans, a strong deposit base, a team of 26,000 employees and took ICICI Bank to market leadership. During his tenure, ICICI Bank's retail banking won many recognitions and awards in the banking industry, domestically and internationally, some of which are Best Retail Bank in Asia in 2001,"Excellence in Retail Banking Award" in 2002, Best Retail Bank in India in 2003, 2004 and 2005 from The Asian Banker.

Mr. Vaidyanathan was appointed the Managing Director & Chief Executive Officer of ICICI Prudential Life Insurance Company (a JV between ICICI Bank and Prudential Life of UK) in early 2009, a position he held till the current move. He was the Chairman of the FICCI Insurance and Pensions committee.

Mr. Vaidyanathan aged 43, is an alumnus of Birla Institute of Technology and Harvard Business School; where he completed an Advanced Management Program.

The details of the directorship and / or membership / chairmanship of committees of the Board (viz. the Audit Committee and Shareholders' / Investors' Grievances Committee) of Mr. Vaidyanathan in other Companies (except private companies, Section 25 companies and foreign companies) as on the date of the Report, are as follows;

Sr. No.	Name of the Company	Committee positions held	
		Chairman	Member
1	Future Capital Financial Services Limited	-	√ *
2	Future Finance Limited	√ *	-
3	Myra Mall Management Company Limited	-	-
4	Future Capital Home Finance Private Limited	-	-

ANNEXURE 1 TO DIRECTORS' REPORT (CONTD.)

Sr. No.	Name of the Company	Committee positions held	
		Chairman	Member
5	Future Capital Securities Limited (formerly known as FCH Centrum Wealth Managers Limited)	√ *	-
6	Future Capital Commodities Limited (formerly known as Axon Development Solutions Limited)	-	-

* indicates membership / chairmanship of Audit Committee and ^ indicates membership / chairmanship of Shareholders' / Investors' Grievances Committee

Mr. Vaidyanathan holds 1,47,904 equity shares of the Company as on 31st March, 2011. He has been allotted 20,00,000 convertible warrants convertible into equal number of equity shares of the company of ₹ 10 each at an issue price of ₹ 237 each.

III) Mr. Shailesh Haribhakti

Mr. Shailesh Haribhakti, aged 55, is a fellow Chartered Accountant from the Institute of Chartered Accountants of India and a qualified Cost Accountant from the Institute of Cost and Works Accountants of India. He has around 30 years of experience as a chartered accountant. He is the Managing Partner of Haribhakti & Co, Chartered Accountants and Chairman of BDO Consulting Pvt. Ltd. He served a three year term on the Standards Advisory Council of the International Accounting Standards Board. He is a Committee Member of Futures & Options segment of National Stock Exchange of India and a Member of the SEBI Committee on Disclosures and Accounting Standards. He serves as Member of Managing Committees of ASSOCHAM and IMC and Corporate Governance Committees of ASSOCHAM and CII and is Chairman of the Global Warming Committee of IMC. He is on the Board of Directors of several listed and private companies.

Mr. Haribhakti is the Chairman of Banking, Finance and Insurance Committee of the Indian Merchant's Chamber and a member of the Adhoc Advisory Committee for Master's Degree in Management Studies, University of Mumbai. Mr. Haribhakti is also an Independent Director on the Board of reputed and large listed companies. He has also been awarded as the "Best Non-Executive Independent Director" for the year 2007 by the Asian Centre for Corporate Governance.

The details of the directorship and / or membership / chairmanship of committees of the Board (viz. the Audit Committee and Shareholders' / Investors' Grievances Committee) of Mr. Haribhakti in other Companies (except private companies, Section 25 companies and foreign companies) as on the date of the Report, are as follows;

Sr. No.	Name of the Company	Committee positions held	
		Chairman	Member
1	Pantaloon Retail (India) Limited	-	√ *
2	Torrent Pharmaceuticals Limited	-	√ *
3	Mahindra Lifespace Developers Limited	-	√ *
4	Blue Star Limited	-	√ *
5	The Dhanalakshmi Bank Limited	-	√ *
6	L & T Finance Holdings Limited	√ *	-
7.	ACC Limited	√ *	-
8.	Hexaware Technologies Limited	√ *	-
9.	Ambuja Cements Limited	√ *	-
10	The Dhanalakshmi Bank Limited	√ *	-
11.	Raymond Limited	-	-
12.	Fortune Financial Services (India) Limited	-	-
13.	J K Paper Limited	-	-
14.	Hercules Hoists Limited	-	-
15.	Everest Kanta Cylinder Limited	-	-

* indicates membership / chairmanship of Audit Committee and ^ indicates membership / chairmanship of Shareholders' / Investors' Grievances Committee

Mr. Haribhakti holds 93,295 equity shares of the Company as on 31st March, 2011.

IV) Mr. N. C. Singhal

Mr. N. C. Singhal, aged 74, holds postgraduate qualifications in Economics, Statistics and Administration and was awarded the United Nations Development Programme Fellowship for advanced studies in the field of project formulation and evaluation, in Moscow and St. Petersburg. He received professional training in development banking at the World Bank, Washington D.C. and Kreditenstalt fur Wiederaufbau, Frankfurt. He was the founder Chief Executive Officer, designated as the Vice-Chairman & Managing Director of The Shipping Credit & Investment Corporation of India Limited (since merged with the ICICI). Earlier, he was a senior executive and then a member of the Board of Directors of ICICI Limited. He was a Banking Expert to the Industrial Development Bank of Afghanistan, for the World Bank project and a Consultant and Management Specialist with the Asian Development Bank in Philippines, South Korea, Pakistan and Uzbekistan.

Mr. Singhal is a member of the Advisory Board of the International Maritime Bureau, London and was the Vice-Chairman of the Commission on Maritime Transport of the International Chamber of Commerce, Paris. He has been Non-Executive Chairman / Director of several companies; including Axis Bank Limited, Shipping Corporation of India Limited and Max New York Life Insurance Company Limited.

ANNEXURE 1 TO DIRECTORS' REPORT (CONTD.)

The details of the directorship and / or membership / chairmanship of committees of the Board (viz. the Audit Committee and Shareholders' / Investors' Grievances Committee) of Mr. Singhal in other Companies (except private companies, Section 25 companies and foreign companies) as on the date of the Report, are as follows;

Sr. No.	Name of the Company	Committee positions held	
		Chairman	Member
1	SCI Forbes Limited	-	-
2	Forbes Bumi Armada Limited	-	-
3	Forbes Bumi Armada Offshore Limited	-	-
4	Amal Limited	√ * ^	-
5	Binani Industries Limited	-	√ ^
6	Birla Sun Life AMC Limited	-	-
7	Deepak Fertilisers & Petrochemicals Corporation Limited	√ *	-
8	Mahagujarat Chamunda Cements Limited	-	-
9	Max India Limited	√ *	√ ^
10	Tolani Shipping Limited	√ *	-

* indicates membership / chairmanship of Audit Committee and ^ indicates membership / chairmanship of Shareholders' / Investors' Grievances Committee

Mr. Singhal does not hold any shares in the Company.

V) Mr. Anil Singhvi

Mr. Anil Singhvi, aged 51, is a qualified Chartered Accountant. He is presently the Chairman of Ican Investments Advisors Pvt Ltd. In past he has been associated with Reliance Natural Resources Limited (RNRL) as the Vice Chairman and Managing Director & CEO of Ambuja Cements Limited. He is Director on various Board of Directors of companies, some of which are Camlin, Hindustan Construction Co. Ltd., HCC Infrastructure Ltd., IDFC Securities Ltd., Institutional Investor Advisory Services India Pvt. Ltd., Mastek Limited and Subex Ltd.

The details of the directorship and / or membership / chairmanship of committees of the Board (viz. the Audit Committee and Shareholders' / Investors' Grievances Committee) of Mr. Singhvi in other Companies (except private companies, Section 25 companies and foreign companies) as on the date of the Report, are as follows;

Sr. No.	Name of the Company	Committee positions held	
		Chairman	Member
1	Hindustan Construction Company Limited	-	√ *
2	HCC Infrastructure Company Limited	-	-
3	Camlin Limited	-	√ *
4	Mastek Limited	√ *	√ ^
5	IDFC Securities Limited	-	-
6	Subex Limited	-	√ *

* indicates membership / chairmanship of Audit Committee and ^ indicates membership / chairmanship of Shareholders' / Investors' Grievances Committee

Mr. Singhvi does not hold any shares in the Company.

VI) Mr. Pradeep Mukerjee

Mr. Mukerjee aged 52, is a Master in Personnel Management and Industrial Relations from Tata Institute of Social Sciences & Industrial Relations, Mumbai and Bachelor of Science, Physics from Indian Institute of Technology, Kharagpur. He is presently associated with Confluence Coaching & Consulting as a Founder Director. In past he has been associated with Citigroup since 1988, on various positions including Human Resources Director and Vice President for India, Sri Lanka and Bangladesh and as a Vice President in the HR functions in United States and Gulf Countries. As a consultant, he has consulted number of companies in the areas of organization and leadership effectiveness. Mr. Mukerjee is also an Executive Coach, who has coached a number of senior leaders and CEO's of multinational and Indian companies. He also holds Directorships in Timex Group India Ltd. as an Independent Director.

The details of the directorship and / or membership / chairmanship of committees of the Board (viz. the Audit Committee and Shareholders' / Investors' Grievances Committee) of Mr. Mukerjee in other Companies (except private companies, Section 25 companies and foreign companies) as on the date of the Report, are as follows;

Sr. No.	Name of the Company	Committee positions held	
		Chairman	Member
1	Timex Group India Ltd.		√ *

* indicates membership / chairmanship of Audit Committee and ^ indicates membership / chairmanship of Shareholders' / Investors' Grievances Committee

Mr. Mukerjee does not hold any shares in the Company.

ANNEXURE 2 TO DIRECTORS' REPORT

Group:

List of persons constituting "Group" as required under Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, is as under:

1. Mr. Kishore Biyani
2. Pantaloon Retail (India) Limited
3. Brahmabrata Trading Private Limited
4. Future Agrovet Limited
5. Future Brands Limited
6. Future Capital Investment Private Limited
7. Future Corporate Resources Limited
8. Future Entertainment Private Limited
9. Future Freshfoods Limited
10. Future Ideas Company Limited
11. Future Knowledge Services Limited
12. Future Learning and Development Limited
13. Future Mobile and Accessories Limited
14. Future Realtors India Private Limited
15. Future Value Retail Limited
16. Future Ventures India Limited
17. Futurebazaar India Limited
18. Gargi Developers Private Limited
19. Home Solutions Retail (India) Limited
20. Kavi Sales Agency Private Limited
21. Liquid Foot Infraprojects Private Limited
22. PIL Industries Limited
23. Rural Fairprice Wholesale Limited
24. Salarjung Multitrading Private Limited
25. Samreen Multitrading Private Limited
26. Sanavi Multitrading Private Limited
27. Shrishti Mall Management Company Private Limited
28. Silver Base Infrastructure Private Limited
29. Simpleton Investrade Private Limited
30. Tanushri Infrastructure Private Limited
31. Taraka Infrastructure Private Limited
32. U-Phase Infraprojects Private Limited
33. White Circle Mercantile Private Limited
34. Winner Sports Limited
35. Mr. Laxminarayan Biyani (Father)
36. Mr. Vijay Biyani (Brother)
37. Mr. Anil Biyani (Brother)
38. Kishore Biyani HUF
39. Laxminarayan Biyani HUF

ANNEXURE 3 TO DIRECTORS' REPORT

Disclosures as required under the Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI (ESOS & ESPS) Guidelines, 1999).

(I) FCH EMPLOYEES SHARE PURCHASE SCHEME(S)

The Company has two Employees Share Purchase Schemes viz. FCH Employees Share Purchase Scheme - 2007 (FCH ESPS- 2007) and FCH Employees Share Purchase Scheme - 2008 (FCH ESPS- 2008). The disclosures below are in respect of the year ended 31st March, 2011.

Number of Equity Shares issued during the year	During the year, no equity shares were allotted to any employee under the FCH ESPS - 2007 or FCH ESPS - 2008.
Price at which Equity Shares were issued during the year	N.A.
Employee-wise details of Equity Shares issued during the year to:	
i) Directors and senior managerial employees	Nil
ii) any other employee who is issued Equity Shares in any one year amounting to 5% or more of Equity Shares issued during that year	Nil
iii) identified employees who are issued Equity Shares, during any one year equal to or exceeding 1% of the issued capital of our Company at the time of issuance	Nil
Diluted EPS pursuant to issuance of Equity Shares under ESPS during the year	N.A.
Consideration received against the issuance of Equity Shares	Nil

(II) FCH EMPLOYEES STOCK OPTIONS SCHEME(S)

The Stock Options granted to the employees currently operate under four schemes viz. FCH Employees Stock Option Scheme - 2007 (FCH ESOS – 2007), FCH Employees Stock Option Scheme – 2008 (FCH ESOS – 2008), FCH Employees Stock Option Scheme - 2009 (FCH ESOS – 2009) and FCH Employees Stock Option Scheme – 2011 (FCH ESOS – 2011) (collectively referred as 'Schemes'). The disclosures below are in respect of the year ended 31st March, 2011.

Options Granted during the year	FCH ESOS – 2007 : 3,44,000
	FCH ESOS – 2008 : 6,70,000
	FCH ESOS – 2009 : 3,50,000
	FCH ESOS – 2011 : Nil
The pricing formula	As per the respective Schemes approved pursuant to the SEBI (ESOS & ESPS) Guidelines, 1999
Options Vested	FCH ESOS – 2007 : Nil
	FCH ESOS – 2008 : Nil
	FCH ESOS – 2009 : Nil
	FCH ESOS – 2011 : Nil
Options Exercised	FCH ESOS – 2007 : 5,35,000
	FCH ESOS – 2008 : 7,20,500
	FCH ESOS – 2009 : Nil
	FCH ESOS – 2011 : Nil
The total number of shares arising as a result of exercise of option	12,55,500 equity shares of ₹ 10/- each

ANNEXURE 3 TO DIRECTORS' REPORT (CONTD.)

Options lapsed/cancelled/forfeited	FCH ESOS – 2007 : 6,000 FCH ESOS – 2008 : 1,20,000 FCH ESOS – 2009 : Nil FCH ESOS – 2011 : Nil
Variation of terms of options	No variation made in the terms of the Options granted under any of the Schemes.
Money realized by exercise of options	₹ 16,87,21,000/-
Total Number of options in force	FCH ESOS – 2007 : 4,59,000 FCH ESOS – 2008 : 5,69,500 FCH ESOS – 2009 : 3,50,000 FCH ESOS – 2011 : Nil
Employee-wise details of options granted during the year to: i) Directors and senior managerial personnel ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Refer Note 1
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 ('Earning Per Share')	Diluted EPS calculated in accordance with AS 20 is ₹ 7.63 (Consolidated) and ₹ 8.58 (Standalone) for the FY 2010-11.
Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	* Had the Company (Consolidated) followed the fair value method for accounting the Stock Options, compensation expense would have been higher by ₹ 32,012,813/- with consequent lower Consolidated profits. On account of the same the diluted EPS of the Company (Consolidated) would have been less by ₹ 0.50 per share.
Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Exercise Price FCH ESOS – 2007 : ₹ 178/- FCH ESOS – 2008 : ₹ 102/- FCH ESOS – 2009 : ₹ 250.85/- for 300,000 and ₹ 193/- for 50,000 stock options FCH ESOS – 2011 : N.A. Weighted Average Fair Value FCH ESOS – 2007 : ₹ 112.11/- FCH ESOS – 2008 : ₹ 101.69/- FCH ESOS – 2009 : ₹ 141.50/- FCH ESOS – 2011 : N.A.

ANNEXURE 3 TO DIRECTORS' REPORT (CONTD.)

A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	
i) risk-free interest rate	FCH ESOS - 2007 : 7.64%
	FCH ESOS - 2008 : 7.06 - 7.64%
	FCH ESOS - 2009 : 7.76 - 8.05%
	FCH ESOS - 2011 : N.A.
ii) expected life	FCH ESOS - 2007 : 4.25 years
	FCH ESOS - 2008 : 5.92 years
	FCH ESOS - 2009 : 5.83 years
	FCH ESOS - 2011 : N.A.
iii) expected volatility	FCH ESOS - 2007 : 59.10%
	FCH ESOS - 2008 : 59.10 - 60.40%
	FCH ESOS - 2009 : 57.17 - 58.88%
	FCH ESOS - 2011 : N.A.
iv) expected dividends	FCH ESOS - 2007 : 0.44%
	FCH ESOS - 2008 : 0 - 0.44%
	FCH ESOS - 2009 : 0.44%
	FCH ESOS - 2011 : N.A.
v) the price of the underlying shares in market at the time of option grant	Same as that of Grant Price
***Note:** Above figures are derived by considering the Options granted to the employees of the Company, its Holding Company and its Subsidiary Companies.	

Note 1: Details of the options granted during the financial year under ESOS to the Directors and Senior Managerial personnel of Future Capital Holdings Limited, its Holding and its Subsidiary Companies are as under:*

Sl. No.	Particulars	Position	Number of options granted under FCH ESOS - 2007	Number of options granted under FCH ESOS - 2008	Number of options granted under FCH ESOS - 2009
a.	Directors and Senior Managerial Personnel				
	Mr. V. Vaidyanathan	Vice Chairman & Managing Director	3,44,000	-	-
	Mr. K. K. Rathi	Non-Executive Director	-	2,00,000	-
	Mr. N. Shridhar	Chief Financial Officer (since resigned)	-	1,00,000	-
	Mr. Apul Nayyar	CEO - Consumer Business	-	-	3,00,000
	Mr. Prashant Shetty	Senior Vice President	-	20,000	-
	Mr. Manish Chitnis	Senior Vice President	-	20,000	-
	Mr. Chetan Gandhi	Vice President	-	20,000	-
	Mr. Kartik Seetharaman	Senior Vice President (since resigned)	-	20,000	-
	Ms. Anooba Kini	Senior Vice President	-	20,000	-
	Mr. Romil Pant	Senior Vice President (since resigned)	-	20,000	-
	Mr. Ashokkumar Shinkar	Head Corporate Center & Chief Financial Officer	-	1,00,000	-
	Mr. Vivek Kanwar	Executive Vice President	-	60,000	-

ANNEXURE 3 TO DIRECTORS' REPORT (CONTD.)

Sl. No.	Particulars	Position	Number of options granted under FCH ESOS - 2007	Number of options granted under FCH ESOS - 2008	Number of options granted under FCH ESOS - 2009
	Mr. Pankaj Sanklecha	Senior Vice President	-	40,000	-
	Mr. Pradeep Natarajan	Senior Vice President	-	35,000	-
	Mr. Arindam Das	Vice President	-	15,000	-
	Mr. Shailesh Shirali	CEO - Corporate Business	-	-	30,000
	Ms. Shikha Hora Kamdar	Vice President	-	-	20,000
	Total		**3,44,000**	**6,70,000**	**3,50,000**
b.	Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil			
c.	Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil			

* No options are granted under FCH ESOS - 2011 during the financial year 2010-11.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic overview

After rapid expansion in the first three quarters of 2010-11, GDP growth slowed in the last quarter of the fiscal to 7.8%. This culminated in an overall growth of 8.5% for the year gone by. While this was lower than most projections, it was certainly higher than the 8% clocked in 2009-10.

The principal reasons for the slowdown in the last quarter were the phased tightening of monetary policy and fiscal consolidation, which were aimed at curbing excess demand and inflationary pressures, reducing the fiscal deficit and containing the deterioration in trade and current account balances. The RBI raised interest rates nine times since March 2010 and the government announced containing fiscal deficit to 4.6% of GDP for the current fiscal.

Given the aggressive monetary stance adopted by the RBI, the yield curve for most of fiscal 2011 was inverted and liquidity was generally tight. The government and the RBI did take steps intermittently to ease liquidity, such as the 1% cut in the SLR in December 2010, which released ₹ 480 billion into the system and its purchase of government securities through its open market operations. However, the situation is likely to remain stretched until inflation comes under control.

By March 2011, inflation stood at 8.98%. This was well above the RBI's target of 8% for the end of fiscal 2011. Furthermore, inflation is unlikely to settle at lower levels in the near term as the secondary impact of fuel prices and the rise in crude oil prices keep it high.

India still shining

India has one of the highest rates of GDP growth in the world, coupled with a high savings rate, growing industrial production and stable markets. As a result, despite short term blips, the country is poised for growth in the long run. The pillars of this growth will be the free markets and the demographic dividend. These remain intact. India has a population of 480 million people who are under the age of 40 years and one of the lowest dependency ratios. Its working population is expected to grow to 28% of the world's share by 2020. All this offers immense scope for the advancement of retail finance.

According to a report by a major domestic infrastructure lending company, "The huge untapped demand, coupled with the rebound in profitability for financiers, is expected to spur a boom in retail finance in the coming years." The growth in the retail finance disbursement would be largely driven by improving affordability, increasing propensity to consume and the fact that the penetration level of retail finance loans is still low. The report further highlighted the fact that the higher income bracket in the country is growing faster and the number of households in the lowest income bracket has fallen in absolute terms from 41 million to 31 million.

Now the challenge before policy makers is to steer India on to double digit growth trajectory with policies and reforms that do not adversely impact the equilibrium and affect the public sentiments.

The bottom line is that copious latent demand exists and as liquidity eases, the lending business will pick up. Your Company continues to grow even in the present conditions and with its pan India presence is uniquely positioned to cater to both the retail as well as the wholesale credit segments of the financial markets, with its innovative capital solutions.

Business Review

Fiscal 2010-11 has been an eventful year for your Company. Mr. V. Vaidyanathan joined FCH as the Vice Chairman and Managing Director in mid FY2010-11. He was the MD and CEO of ICICI Prudential and earlier an Executive Director on the Board of ICICI Bank. Under his leadership, the focus is to build businesses in areas where we can have a sustained competitive advantage and have been left largely unattended by existing players. The focus is also to grow the retail credit business which is more granular and shows a more predictable behaviour. Your company continued to scale up the consumer durable business. Other key lines of businesses are to provide mortgage finance to SME segment and provide gold loans, which offer security and margins. Besides this fund-based income, your Company will also be focusing on fee-based income from wealth management and broking securities, real estate and commodities.

Your Company has established a key management team to deliver on these plans. As part of the new team, Mr. Apul Nayyar joined in October 2010, as the CEO of the Consumer Business. In his last role, Mr. Nayyar was Executive Director of India Infoline Investment Services Limited and has also worked with the Citigroup as a Chief Financial Officer. In January 2011, Mr. Ashokkumar Shinkar joined as Head Corporate Centre & CFO. He has earlier been on the Board of Wanbury Limited and has worked with J M Morgan Stanley and SSKI Corporate Finance. In December 2010, Mr. Pankaj Sanklecha joined as the Chief Risk Officer. Mr. Sanklecha is a qualified Chartered Accountant with 15 years of experience in Retail and SME banking having held leadership positions across risk and business. Prior to FCH, Mr. Sanklecha was with Standard Chartered Bank for 7 years, where he managed a portfolio of close to $ 2.5 billion as Head of Credit for Retail Lending. The management team also includes Mr. Shailesh Shirali who is the CEO – Wholesale Business and has been with the company since July 2008. A Chartered Accountant by training, Mr. Shirali has nearly two decades of experience in the financial services industry, at senior level positions in leading financial conglomerates.

During the year, wholesale loans grew from ₹ 12.04 billion in FY2009-10 to ₹ 20.40 billion in 2010-11. As your Company made a conscious effort to put greater focus on its retail business, the retail component in its loan book increased from ₹ 2.91 billion in fiscal 2010 to ₹ 8.14 billion for fiscal 2011, as per plans.

During the year, your Company initiated three corporate actions:

1. **Merger of Future Capital Financial Services (FCFSL) with your Company**

   In order to simplify and consolidate the various financial services offered by FCH and FCFS into a single entity, FCFS merged with

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

your Company. This merger rendered several advantages to your Company, which inter alia improved its capital adequacy and facilitated greater access to borrowings. Your Company's capital adequacy has gone up 23.47% giving scope for further growth.

2. **Realigned shareholding of Joint Ventures in Forex Business with Centrum Capital Limited**

   Your Company exited from a Joint Venture with Centrum Capital by selling its stake in FCH Centrum Direct Limited to Centrum Capital Limited. This JV was carrying out foreign exchange business which was not seen as a core business by your Company.

3. **Realigned shareholding of Joint Ventures in Securities Broking Business with Centrum Capital Limited**

   FCH bought out the 50% stake held by Centrum Capital Limited in Future Capital Securities Limited (formerly known as FCH Centrum Wealth Managers Limited) (FCSL). With this buyout, your Company acquired an established broking and wealth management business, which adds to the core strategy of your Company and completes its product suite to the retail customer.

   The above corporate actions were in line with your Company's core strategy of expanding its retail credit business and building a significant fee-based business.

Improved Asset Quality

Your Company focused on reducing the NPAs with clinical attention during the year. A multipronged approach to reduce the NPAs was carried out with a focus on secured lending, stringent controls and improved collections thus resulting in your Company bringing down NPAs significantly over the fiscal. The overall environment was also facilitative for improving asset quality and contributed to this improvement. The gross NPAs of your Company stood at 0.25% as on March 31, 2011, down from 3.73% as on March 31, 2010. The net NPAs of your Company stood at 0.06% as on March 31, 2011, as against 1.63% on March 31, 2010.

Retail business

Your Company has a clear vision to capitalize in the growing "consumption space" in India, which is a key driver of the Indian economy. Towards this end, it seeks to develop a unique position for itself in the financial services industry. Your Company opened 55 new branches during the year thus increasing the total pan India presence to 90 branches across 40 cities in India. Current growth in the loan book has resulted from this network of branches. Going forward, your Company would like to leverage on the Future Group's retail format through setting up of over 100 branches within the Future Group stores. The Future Group has millions of customers visiting its pan India stores, including Big Bazaar, E-zone, Home Town etc. Your Company has embarked on a unique and exclusive proposition of setting up FCH branches within the Future Group stores. This shall enable your Company an access to prospective customers considering the large footfalls and strengthen the distribution reach of your Company. Your Company offers Mortgages to SMEs against property, Gold Loans, Consumer Durable Loans and also offers a full suite of services to the customers including Wealth Management, Equity, Real Estate and Commodities Broking at these stores to become India's first 'consumer-centric' provider of financial products and services.

In addition to interest income, your Company has already forayed into the wealth management and broking businesses to earn fee based income.

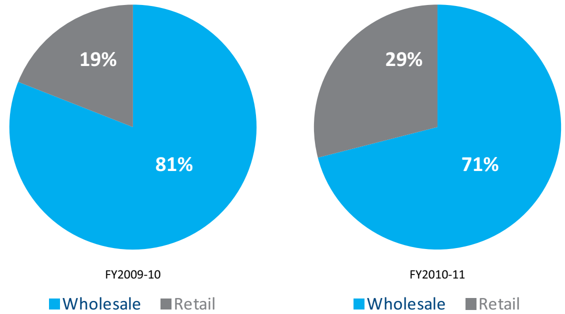
Your Company's retail loans increased from ₹ 2.91 billion in fiscal 2010 to ₹ 8.14 billion for fiscal 2011, an increase of 180%. A larger part of the loan portfolio as it stands now is secured against tangible collateral and there is sufficient cover as a result of prudent credit norms adopted by your Company.

In order to acquire good quality growth of loans, your Company has defined, stringent due diligence and credit evaluation norms from origination to monitoring across asset classes. This has resulted in high quality portfolio performance with low NPAs. Credit architecture is structured around a classical private bank foreign bank model, with independent sales, credit and operation divisions. Conservative provisioning policy and risk management systems provide early warning signals and contributes in minimal NPAs.

Loans against property are typically availed by small and medium businesses and these loans traditionally have had low NPAs and generate healthy risk adjusted returns. Lending against gold has also traditionally generated good risk adjusted returns.

Your Company is capitalizing on the opportunity to build a retail credit franchise, which has scope for recurrent business, cross selling opportunities and the potential to gain from fee-based income. The changing mix of credit between wholesale and retail for your Company reflects its strong focus on building its retail book.

Composition of the retail loan book



MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Wealth management

Through a strong team of private wealth managers and service relationship managers, your Company offers its clients customized investment plans-financial plans, model portfolios etc. Your Company has invested in a robust technology platform and set up a customer portal, which will facilitate best-in-class services to its clients and also facilitate online purchase/sale of mutual funds, review of statements, performance analysis, portfolio analysis, asset allocation deviation, etc.

Broking

Post consolidation of its stake in FCH Centrum Wealth Managers Limited (name since changed to Future Capital Securities Limited(FCSL)), your Company offers broking services through FCSL which is a member of the National Stock Exchange of India Limited. (NSE), Bombay Stock Exchange Limited (BSE) and is a Depository Participant (DP) of Central Depository Services Limited. It offers retail broking services in equities and derivatives, investments in mutual funds, IPOs, bonds, real estate and depository services through its network of 31 centres in 17 cities spread across 11 states in India. With its team of over 120 professionals, your Company caters to the needs of thousands of customers. FCSL is now expanding its footprint and is in the process of acquiring memberships and operationalising the commodities and currency derivatives segment. It is also in the process of launching an "all product, transaction-cum-service" portal which will enable its clients to seamlessly transact across products through integration of their DP's and bank gateways. FCSL is looking keenly at the Business Associates (sub-brokers / authorised persons / IFAs) channel to expand its pan-India reach.

Wholesale credit

The wholesale business comprises of Senior Secured Lending to reputed names with proven track records with 2 to 3x coverage and clearly identified cash flow streams for take outs. Your Company offers wholesale credit against collateral in the form of properties in metro cities and/or liquid securities.

Corporate lending still forms a large chunk of FCH's business. It grew from ₹ 12.04 billion in FY2009-10 to ₹ 20.40 billion in 2010-11, an increase of 69%. The strong due diligence and credit evaluation capabilities across asset classes has enhanced your Company's portfolio performance. There is a strong emphasis on direct dealing with minimum intermediation.

Your Company's strong in-house capabilities give it a competitive edge in the industry. This, along with rising economic activities, is bound to translate into an increase in business in this segment. Wholesale credit will continue to be an important business segment for FCH.

Resources and Liabilities

During the financial year 2010-11, your Company raised ₹ 5,141 million by issuance of NCDs through private placement, ₹ 7,000 million by issuance of Commercial Papers and ₹ 8,750 million through banks in the form of term loans, cash credit and overdraft facilities.

Your Company's debt-equity ratio as on 31st March, 2011, stands at 3.46.

Consolidated Financial Performance

The following table presents our consolidated results of operations for the year ended March 31, 2011:

	Year ended March 31, 2011 (₹ in Million)	Year ended March 31, 2010 (₹ in Million)
Income	4,015	2,517
Expenditure	3,177	1,915
Profit before tax	838	602
Provision for income tax	347	9
Profit after tax	491	593

The investment advisory business had income and expenses pertaining to these businesses in the last year's results. Because the investment advisory business was moved out of the company last year, the results of the current year are not comparable with the corresponding previous fiscal.

Income

The table below presents a breakup of our income for the year ended March 31, 2011:

	Year ended March 31, 2011 (₹ in Million)	Year ended March 31, 2010 (₹ in Million)
Income from retail financial services	1,507	1,074
Income from wholesale credit and treasury	2,064	806
Investment advisory fees	17	546
Others	427	91
Total income	**4,015**	**2,517**

Expenditure

We had incurred an expenditure of ₹ 3,177 million for the year ended March 31, 2011. Our expenditure comprised of personnel expenses, administration & other expenses and financial expenses. Financial expenses comprised 57% followed by administration and other expenses of 27%, Personnel expenses of 15% and Depreciation/ amortization of 1%, of the total expenditure for the year ended March 31, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

The table below presents a breakup of our expenditure for the year ended March 31, 2011:

	Year ended March 31, 2011 (₹ in Million)	Year ended March 31, 2010 (₹ in Million)
Personnel expenses	481	542
Administration and other expenses	852	442
Depreciation/ amortization	43	123
Financial expenses	1,801	808
Total expenditure	**3,177**	**1,915**

Profit (loss) Before Tax

Your Company made a profit before tax of ₹ 838 million for the year ended March 31, 2011 as compared to ₹ 602 million for the year ended March 31, 2010. The profit primarily reflects increased business in the credit division.

Net Profit after tax

The Profit Before Tax was up by 39%. The Profit after tax was down by 17% to Rs 491 million from ₹ 593 million in previous year. This was essentially due to a one time impact of non availing of the MAT credit and deferred tax charge pursuant to the scheme of merger of Future Capital Financial Services with your Company. Consequent to this, there is a provision for MAT of ₹ 56 million and net deferred tax charge of ₹ 32 million in the current year. Also, in the last year FCH had a brought forward loss of ₹ 84 million, which is not the case in the current year eventually leading to higher tax liability.

Financial Condition

Sources of Funds

	As of March 31, 2011 (₹ in Million)	As of March 31, 2010 (₹ in Million)
Shareholders' funds	7,469	6,909
Loan funds	26,238	11,754
Total	33,707	18,663

Shareholders' funds

As of March 31, 2011, our shareholders' funds amounted to ₹ 7,469 million as compared to ₹ 6,909 million as on March 31, 2010. The increase is mainly on account of profit earned in the current year ₹ 491 million, convertible warrants issued for ₹ 592 million, ESOS issued to employees ₹ 169 million, bad debts and provision for doubtful retail loans ₹ 402 million debited to reserves pursuant to the Scheme of Amalgamation, loss of FCSL consolidated on acquisition during the year amounting to ₹ 121 million, proposed dividend including tax thereon of ₹ 113 million and debenture issue expenses of ₹ 56 million charged to reserves.

Loan funds

The loan funds as on March 31, 2011 are ₹ 26,238 million. The borrowings are for deployment in the wholesale and retail credit business.

Application of funds

The following table sets forth the principal components of our assets, current liabilities and provisions as of March 31, 2011 and March 31, 2010:

Assets	As of March 31, 2011 (₹ in Million)	As of March 31, 2010 (₹ in Million)
Goodwill on consolidation	87	85
Fixed assets (net block, including capital work in progress)	831	809
Investments	2,601	3,092
Deferred tax assets	60	93
Sundry debtors	166	398
Cash and bank balances	3,793	284
Loans and advances	28,569	14,962
Other current assets	288	90
Total assets	**36,395**	**19,813**
Current liabilities and provisions		
Current liabilities	2,100	1,070
Provisions	588	80
Total Current Liabilities and provisions	**2,688**	**1,150**
Net Assets	**33,707**	**18,663**

Assets

Goodwill on Consolidation

The amount represents the goodwill paid in earlier years in connection with investments made in subsidiaries, which are strategic in nature and have long term benefits. During the period, we have acquired 100% stake in Anchor Trading and Investment Private Limited, which resulted in increase in goodwill.

Fixed Assets

We had a fixed asset balance of ₹ 831 million as on March 31, 2011. This primarily includes building, furniture and fixtures, computers and printers, office equipments and leasehold improvements for the corporate office and various outlets of retail financial business.

Investments

We had investments of ₹ 2,601 million as on March 31, 2011. This primarily includes investments in mutual funds of ₹ 1,778 million, investments in Debentures of ₹ 750 million and other investments of ₹ 73 million. The investment in mutual funds is to ensure optimum utilization of surplus money and give adequate returns along with safety and liquidity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Sundry debtors

We had sundry debtors balance of ₹ 166 million as on March 31, 2011. It primarily represents amount outstanding towards investment advisory services of ₹ 60 million and balance towards other dues in retail financial business.

Cash and bank balances

We had cash and bank balance of ₹ 3,793 million as on March 31, 2011. This primarily comprises of ₹ 3,438 million representing current account balance. There has been increase in current account balance due to drawdown of term loan amount on last day of the financial year, which was deployed in the business subsequent to the year end and fixed deposit of ₹ 339 million mainly towards cash collateral for assignment of loan portfolio.

Loans and advances & other current assets

We had ₹ 28,569 million of loans and advances as on March 31, 2011. It primarily includes loan book of ₹ 27,850 million, security deposits of ₹ 78 million kept for office premises and branches, leased assets of ₹ 27 million, advance income tax & TDS of ₹ 232 million and advance recoverable of ₹ 382 million.

Current liabilities & Provisions

We had Current liabilities of ₹ 2,100 million as on March 31, 2011. This is primarily on account of sundry creditors of ₹ 383 million, overdraft of ₹ 812 million, cash collateral against retail loans of ₹ 388 million, security deposits of ₹ 22 million, unamortized processing fees of ₹ 51 million, advances from customers of ₹ 117 million, interest accrued but not due on borrowings of ₹ 242 million and other liabilities of ₹ 85 million.

We had Provisions of ₹ 588 millions on March 31, 2011, which primarily represents provision for standard assets of 74 million, provision for loss/ expenses on assignment of ₹ 392 million, provision for gratuity and leave encashment of ₹ 9 million and proposed dividend and tax thereon of ₹ 113 million.

Internal Control Systems

The Company has in place adequate systems of internal control which is commensurate with its size and nature of operations. The Company maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations.

The Company has in place adequate systems to ensure that assets are safeguarded against loss from unauthorized use or disposition and that transactions are authorized, recorded and reported. The Company has an appropriate budgetary control system to monitor all expenditures against approved budgets on an ongoing basis.

The Company has appointed M/s. KPMG as the internal auditors and they are empowered to examine the adequacy of and compliance with, policies, plans and statutory requirements. The internal audit function is also responsible for assessing and improving the effectiveness of risk management, control and governance process. The Audit Committee and the Board of Directors review the internal audit reports as well as action taken on the matters reported.

Risk Management

Your Company is exposed to several risks. Being a NBFC, your Company is exposed to Credit Risk, Liquidity Risk, Interest Risk, Regulatory Risk and Operational Risk. Future Capital has invested in people, processes and technology to mitigate risks posed by the external environment and by its borrowers.

The Board of Directors oversees risk management. A Risk Management Committee, comprising senior management of the Company, has been constituted to facilitate focused monitoring of risk. The Risk Management Committee reviews risk policies from time to time to address strategy and portfolio/balance sheet risks arising from equity investments, credit, liquidity movements and interest rate movements.

Your Company has a strong risk management team as well as an effective credit operation structure in place. Your Company has further strengthened its risk management by appointing an independent risk management team, headed by its Chief Risk Officer.

Sustained efforts to strengthen the risk framework and portfolio quality have started yielding results. The overall portfolio quality has improved significantly over the last financial year. FCH's Assets-Liability Committee (ALCO), set-up in line with the guidelines issued by the RBI, monitors asset-liability mismatches and ensures that there are no material imbalances or excessive concentration on either side of the balance sheet.

The objective of credit risk management is to achieve a trade-off between risk and return within the level of risk limits, which the organization has set for itself and is consistent with strategic objectives. This is achieved through adoption of appropriate standards of loan origination, administration, collateral management and monitoring of loan delinquency.

The credit approval process takes into account all qualitative and quantitative factors that impact the credit/risk assessment.

For the corporate lending business, an investment committee has been constituted. This committee evaluates proposals on all aspects including risk, return and portfolio strategy. Collateral levels are continuously monitored and the senior management is updated regarding these to ensure that adequate security cover is maintained and business is in constant dialogue with the customer for prompt top ups.

For the retail credit business, your Company has set up elaborate procedures and systems as well as invested in a strong IT backbone to assist in monitoring of the portfolio on a continuous basis. Detailed

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

procedures and policies have been established for underwriting across various product categories, based on the credit profile of the customer. This year, your Company has revised and re-aligned its credit policies pertaining to secured lending. This will create a good quality asset book. During the year, an automated model has been developed and introduced for consumption loan customers for better credit quality, which does instant checks with the leading credit bureau CIBIL and with Transunion for credit scoring. As per the revised business plan, a new loan book is being created with secured asset based lending, coupled with stringent underwriting standards.

The ALCO specifies liquidity and interest rate risk limits, monitors adherence to them, articulates the organization's view on the direction of rates and determines an appropriate funding strategy. In addition to the above, the Risk Management Committee and ALCO monitor compliance with regulatory policies and procedures.

Human Capital

Your Company recognises that people play a critical role in achieving its goals. As on 31st March, 2011, your Company has a team of more than 400 talented and experienced employees, providing a wide range of financial services.

Your Company provides an excellent and facilitating work environment to its employees. It has a strong performance culture and works on the principle of pay for performance. Your Company's ability to attract and retain talented employees can be attributed to the clarity in direction of the company, growth of the company, excellent job content, enhanced responsibilities and authority and the opportunity to make a difference. Your Company is focussed on developing its people and creating opportunities for growth to enable success and keep motivation level high. The employee reward and growth strategy has been designed to link payment with performance and to encourage greater contribution to the growth of your Company. It also has Employees Stock Options Schemes (ESOS) and Employee Stock Purchase Schemes (ESPS) to foster a sense of ownership among employees and it will continue to implement the same. Moving forward your Company will continue to build employee engagement through enhanced people practices to ensure sustainability of its business performance.

REPORT ON CORPORATE GOVERNANCE

Introduction:

Clause 49 of the Listing Agreement executed with the Stock Exchange(s), *inter alia*, lays out several corporate governance related practices and requirements, which listed companies are required to adopt and follow. This Report sets out to define the governance practices followed by the Company in compliance with the said requirements of the Listing Agreement.

Philosophy on Corporate Governance:

The Corporate Governance philosophy of the Company is driven by the following fundamental principles:

- conduct the affairs of the Company in an ethical manner
- ensure transparency in all dealings
- ensure highest level of responsibility and accountability
- ensure compliance with all laws and regulations
- ensure timely dissemination of all price sensitive information and matters of interest to stakeholders

The Company, through effective and regular dissemination of information to the Directors and active interaction of the Board Members with Senior Management ensures effective oversight of the Company's businesses and activities.

Through the Governance mechanism in the Company, the Board alongwith its Committees endeavours to strike the right balance with various stakeholders.

BOARD OF DIRECTORS ("Board")

The Board has been constituted in a manner, which results in an appropriate mix of Executive, Non-executive and Independent Directors with majority of Independent Directors, to ensure proper governance and management.

The Corporate Governance principles of the Company ensure that the Board remains informed, independent and actively involved in the Company and that there are ongoing efforts towards better Corporate Governance to mitigate "non business" risks and enhance stakeholders' value.

The Directors at FCH possess the highest personal and professional ethics, integrity and values and are committed to represent the long-term interest of the stakeholders. The Company's business is conducted by its employees under the direction of Mr. V. Vaidyanathan, Vice Chairman & Managing Director and the overall supervision of the Board.

The framework of FCH's Corporate Governance is based on majority of active Independent Board Members, separation of Board from the Executive Management, Board's effective supervisory role and constitution of Board Committees for significant and material matters generally comprising majority of Independent Directors, chaired by an Independent Director and also having a blend of Executive Management Members to assist the Committees and to execute the decisions.

Compositions of the Board

The Board has an optimum combination of Promoter, Professional and Independent Directors. As at 31st March, 2011, the Board of Directors of the Company consisted of one Promoter Director, five Independent Directors and two Professional Directors.

During the year under review, the Board on the recommendation of the Compensation and Nomination Committee, at its Meeting held on 1st August, 2010, appointed Mr. V. Vaidyanathan as an Additional Director and designated him as a Vice Chairman & Managing Director within the meaning of the Companies Act, 1956 with effect from 10th August, 2010. Subsequently, at the Extraordinary General Meeting held on 27th August, 2010, the shareholders of the Company approved appointment of Mr. Vaidyanathan as the Managing Director and payment of remuneration to him, subject to the necessary regulatory approval(s).

In order to strengthen the Board, the Company appointed Mr. N. C. Singhal, Mr. Anil Singhvi and Mr. Pradeep Mukerjee as the Additional Directors with effect from 23rd September, 2010 and pursuant to the Clause 49 of the Listing Agreement they are Non-Executive Independent Directors.

Mr. Sameer Sain and Mr. Alok Oberoi resigned from the Board with effect from 10th August, 2010 and 30th October, 2010, respectively. Mr. Krishan Kant Rathi resigned from the office of the Manager within the meaning of the Companies Act, 1956, with effect from 10th August, 2010. However, he continues to be on the Board as a Non-Executive Director.

The Directors are elected based on their qualifications and experience in related fields of the Company's business needs.

None of the Directors hold directorship in more than fifteen public limited companies, nor is any of them a member of more than ten committees or chairman of more than five committees across all public limited companies in which they are Directors.

During the financial year 2010-11, seven Meetings of the Board of Directors were held on following days; 6th April, 2010, 24th May, 2010, 1st August, 2010, 4th August, 2010, 2nd November, 2010, 4th February, 2011 and 25th March, 2011, with the time gap between any two consecutive Meetings being not more than four months at any point in time.

The details of the Directorship and or Membership / Chairmanship of the Committees of Board (except private companies, Section 25 companies and foreign companies) held by the Directors as on 31st March, 2011, are given below:

REPORT ON CORPORATE GOVERNANCE (CONTD.)

Name of the Director	Category	Attendance Particulars			No. of outside Directorships	No. of committee positions held (including in company)	
		No. of Board Meetings held during tenure of the Director	No. Board Meetings attended by the Director	Attended the last AGM		Chairman@	Member
Mr. Kishore Biyani	Non-Executive Promoter Director & Chairman	7	6	Yes	12	-	4
Mr. V. Vaidyanathan ^	Executive Director, Vice Chairman & Managing Director	3	3	No	4	1	2
Mr. Krishan Kant Rathi ^^	Non-Executive/ Non-Independent Director	7	6	Yes	8	0	8
Mr. G. N. Bajpai	Non-Executive/ Independent Director	7	6	No	14	5	5
Mr. Shailesh Haribhakti	Non-Executive/ Independent Director	7	7	Yes	13	5	5
Mr. N. C. Singhal *	Non-Executive/ Independent Director	3	3	No	9	5	2
Mr. Anil Singhvi *	Non-Executive/ Independent Director	3	3	No	7	1	5
Mr. Pradeep Mukerjee *	Non-Executive/ Independent Director	3	2	No	2	1	2
Mr. Sameer Sain $	Non-Executive Ex-Vice Chairman / Ex-Promoter Director	4	2	No	-	-	-
Mr. Alok Oberoi $$	Non-Executive/ Independent Director	4	NIL	No	-	-	-

@ Chairman includes Member. Only Membership / Chairmanship of the Audit Committee and the Shareholder's / Investors' Grievances Committee is considered.

^ Mr. V. Vaidyanathan was appointed as the Vice Chairman & Managing Director with effect from 10th August, 2010.

^^ Mr. Krishan Kant Rathi resigned from the office of Manager with effect from 10th August, 2010, however, he continues to be on the Board.

* Mr. N. C. Singhal, Mr. Anil Singhvi and Mr. Pradeep Mukerjee were appointed as Non-Executive Independent Directors with effect from 23rd September, 2010.

$ Mr. Sameer Sain resigned from the Board with effect from 10th August, 2010. He ceased to be the promoter of the Company with effect from 4th February, 2011.

$$ Mr. Alok Oberoi resigned from the Board with effect from 30th October, 2010.

COMMITTEES OF THE BOARD OF DIRECTORS:

The Board has constituted several committees and has delegated powers for different functional areas. The Audit Committee, Shareholders'/

REPORT ON CORPORATE GOVERNANCE (CONTD.)

Investors' Grievance and Share Transfer Committee, Compensation and Nomination Committee (which is also the ESOS/ESPS/ Remuneration Committee), Asset Liability Management Committee (ALCO) and Risk Management Committee (RMC) have been constituted pursuant to and in accordance with the provisions of the Listing Agreement, rules & regulations prescribed by the Reserve Bank of India read with requirements of the Companies Act, 1956 and other applicable laws. The Board has also constituted other committees such as the Corporate Governance Committee, the Debenture Committee and the Preferential Issue Committee for administrative convenience.

AUDIT COMMITTEE

Terms of Reference

In addition to the matters provided in Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and the Reserve Bank of India, the Committee reviews the reports of the Internal Auditors, periodically meets the Statutory Auditors of the Company, discusses their findings, observations, suggestions, scope of audit etc. and also reviews internal control systems and accounting policies followed by the Company. The Committee also reviews the financial statements with the management, before their submission to the Board.

The terms of reference of the Audit Committee of the Board of Directors of the Company, *inter alia* includes;

a. Overseeing the Company's financial reporting process and reviewing with the management, the financial statements before submission to the Board for approval;

b. Recommending to the Board the appointment, re-appointment and replacement of the Statutory Auditor and fixing their fees;

c. Reviewing the adequacy of internal audit function, reporting structure coverage and frequency of internal audit;

d. Such other matters as specified under Clause 49 of the Listing Agreement and requirements of Section 292A of the Companies Act, 1956 and the Reserve Bank of India or as may be delegated by the Board of Directors of the Company.

Composition and Attendance of Meeting:

The Audit Committee comprises of three Members and two of them are Independent Directors. All the Members of the Committee have good experience and knowledge of finance, accounts and corporate laws with the Chairman being an eminent Chartered Accountant, who has finance, accounting, corporate law and financial market related expertise. The Statutory Auditors, Internal Auditors and Members of Senior Management are invited to attend the Meetings of the Committee.

The quorum for the Meeting of the Audit Committee is two Members being Independent Directors present at the Meeting. The Company Secretary of the Company acts as a Secretary of the Committee.

In view of the appointment of Mr. Anil Singhvi as the Non-Executive Independent Director within the meaning of the Companies Act, 1956, the Committee was reconstituted on 7th October, 2010, *vide* circular resolution passed by the Board. Mr. Shailesh Haribhakti stepped down from the Committee and Mr. Singhvi was appointed as a Member and Chairman of the Committee. The Committee now consists of Mr. Anil Singhvi (Chairman), Mr. G. N. Bajpai and Mr. K. K. Rathi.

The details of the composition, categories and attendance during the financial year are as under:

Name	Category	Audit Committee Meeting held on			
		24.05.2010	04.08.2010	02.11.2010	04.02.2011
Mr. Shailesh Haribhakti	Chairman	Present	Present	N.A.	N.A.
Mr. G.N. Bajpai	Member	Present	Present	Present	Present
Mr. Krishan Kant Rathi	Member	Present	Present	Present	Present
Mr. Anil Singhvi	Chairman	N.A.	N.A.	Present	Present

N.A. i.e. Not Applicable denotes that the concerned Directors were not Members of the Committee at the time of respective Meetings.

The minutes of the Audit Committee Meetings form part of the documents placed before the Meetings of the Board. In addition, the Chairman of the Audit Committee appraises the Board Members about the significant discussions at Audit Committee Meetings.

COMPENSATION AND NOMINATION COMMITTEE (WHICH IS ALSO THE ESOS/ESPS/ REMUNERATION COMMITTEE)

Terms of reference:

The terms of reference of the Compensation and Nomination Committee, broadly includes following:

1. Considering all matters as are required to be considered by the Remuneration Committee pursuant to the requirements of the Companies Act, 1956, including determining the Company's policy on specific remuneration packages for executive directors;

2. Performing all such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

3. Performing all such functions as are required to be performed by the Nomination Committee as per the requirements of the Reserve Bank of India; and

4. Such other matters as may be delegated by the Board of Directors of the Company.

Composition and Attendance at Meetings:

Mr. G. N. Bajpai is the Chairman of the Committee. The Committee

REPORT ON CORPORATE GOVERNANCE (CONTD.)

was reconstituted by Board on 4th August, 2010, where Mr. V. Vaidyanathan was inducted in the Committee as the Member with effect from 10th August, 2010. The Committee was further reconstituted on 2nd November, 2010, upon resignation of Mr. Alok Oberoi from the Board with effect from 30th October, 2010 and appointment of Mr. Pradeep Mukerjee as the Member of the Committee.

The details of the composition, categories and attendance during the financial year are as under:

Name	Category	Compensation and Nomination Committee Meeting held on		
		06.04.2010	24.05.2010	01.08.2010
Mr. G.N. Bajpai	Chairman	Present	Present	Present
Mr. Shailesh Haribhakti	Member	Present	Present	Present
Mr. Alok Oberoi	Member	Absent	Absent	Absent
Mr. V. Vaidyanathan	Member	N.A.	N.A.	N.A.
Mr. Pradeep Mukerjee	Member	N.A.	N.A.	N.A.

N.A. i.e. Not Applicable denotes that the concerned Directors were not Members of the Committee at the time of respective Meetings.

The minutes of the Meetings of Compensation and Nomination Committee form part of the documents placed before the Meetings of the Board.

Remuneration Policy:

The key components of the remuneration policy of the Company are:

- Compensation will be a driver of performance and contribution.
- Compensation will be based on merit, experience and criticality of the function.
- Compensation will be transparent, fair and simple to administer.
- Compensation will be fully legal and tax compliant.

i) **Non-Executive Directors' Compensation**

The Non-Executive Directors are paid remuneration by way of sitting fees, Stock Options and Commission. The Company pays sitting fees of ₹ 20,000/- per Meeting to the Non-Executive Independent Directors for attending Meetings of the Board and/or its Committees. Pursuant to the approval given by the Members of the Company *vide* Special Resolution passed at the Extraordinary General Meeting held on 27th August, 2010, under Section 309 and other applicable provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has remunerated Non-Executive Independent Directors by way of Commission as per the limits specified therein. The Company allotted 2,00,000 Stock Options to Mr. K. K. Rathi. No Stock Options are granted to any of the Non-Executive Independent Directors during the year.

ii) **Executive Directors' Compensation**

The compensation of the Executive Director(s) comprises of a fixed component and a performance incentive in the form of bonus. The compensation was determined based on level of responsibility, prior experience & remuneration prevailing in the industry. Further, in recognition of the experience, expertise and responsibility of the Director(s), the Company granted Stock Options to Mr. V. Vaidyanathan, Vice Chairman & Managing Director under the Company's Employee Stock Option Scheme during the financial year.

Remuneration and period of contract of the Managing Director

Mr. V. Vaidyanathan, Vice Chairman & Managing Director is appointed for a period of five years with effect from 10th August, 2010 to 9th August, 2015. The contract may be terminated by either party by giving the other party six months' notice in writing. Details of remuneration paid to Mr. Vaidyanathan are as per table below.

Remuneration and period of contract of the Manager

Mr. K. K. Rathi, was appointed as the Manager within the meaning of the Companies Act, 1956, for a period of five years with effect from 6th April, 2010 to 5th April, 2015. The Manager was not entitled to any remuneration. The contract was liable to be terminated by either party by giving the other party six months' notice in writing. Upon appointment of Mr. Vaidyanathan as the Vice Chairman & Managing Director, Mr. Rathi resigned from the office of Manager with effect from 10th August, 2010 and the requirement of notice period was waived by the Company.

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Details of Equity Shares & Stock Options held and remuneration of Directors for the year ended on 31st March, 2011.

(Amt. in ₹)

Name of Director	Equity Shares held	Stock Options Held	Sitting Fees (in ₹)	*Gross Remuneration (in ₹)	Commission (in ₹)	Total (in ₹)
Mr. Kishore Biyani #	47,73,795	-	160,000	N.A.	Nil	160,000
Mr. V. Vaidyanathan ^	1,47,904	3,44,000	Nil	27,527,661	N.A.	27,527,661
Mr. G. N. Bajpai	50,000	-	300,000	N.A.	678744	978744
Mr. Shailesh Haribhakti	93,295		340,000	N.A.	678744	1018744
Mr. N. C. Singhal *	-	-	60,000	N.A.	353319	413319
Mr. Anil Singhvi *	-	-	1,00,000	N.A.	353319	453319
Mr. Pradeep Mukerjee *	-	-	40,000	N.A.	353319	393319
Mr. Krishan Kant Rathi ^^	-	2,00,000	100,000	N.A.	Nil	100,000
Mr. Sameer Sain $	N.A.	N.A.	60,000	N.A.	N.A.	60,000
Mr. Alok Oberoi $$	N.A.	N.A.	Nil	N.A.	N.A.	Nil
Mr. Dhanpal Jhaveri $$$	N.A.	N.A.	Nil	Nil	N.A.	N.A.

Mr. Kishore Biyani is allotted 80,00,000 warrants convertible into equal no. of equity shares.

^ Mr. V. Vaidyanathan was appointed as the Vice Chairman & Managing Director with effect from 10th August, 2010. He is also allotted 20,00,000 warrants convertible into equal no. of equity shares.

^^ Mr. Krishan Kant Rathi resigned from the office of Manager with effect from 10th August, 2010, however, he continues to be on the Board.

* Mr. N. C. Singhal, Mr. Anil Singhvi and Mr. Pradeep Mukerjee were appointed as Non-Executive Independent Directors with effect from 23rd September, 2010.

$ Mr. Sameer Sain resigned from the Board with effect from 10th August, 2010. He ceased to the promoter of the Company with effect from 4th February, 2011.

$$ Mr. Alok Oberoi resigned from the Board with effect from 30th October, 2010.

$$$ Mr. Dhanpal Jhaveri resigned from the Board with effect from 6th April, 2010.

SHAREHOLDERS' / INVESTORS' GRIEVANCES AND SHARE TRANSFER COMMITTEE

Terms of reference:

The terms of reference of the Shareholders' / Investors' Grievances and Share Transfer Committee *inter alia* includes carrying out such functions for redressal of the shareholders' and investors' complaints, including but not limited to, transfer of shares, non-receipt of balance sheet, non-receipt of dividends and any other grievance that a shareholder or investor of the Company may have against the Company. The Committee also overlooks and approves Transfer / Transmission / Dematerialisation of shares, issue of Duplicate / Consolidated / Split Share Certificate(s) etc.

The Company has appointed M/s. Link Intime India Private Limited as the Registrar and Share Transfer Agent. The Shareholders' / Investors' Grievances and Share Transfer Committee also oversees the performance of the Registrar and Share Transfer Agent and recommends measures for overall improvement in the quality of investor services.

Composition:

The Shareholders' / Investors' Grievances and Share Transfer Committee was reconstituted by the Board on 4th February, 2011, where Mr. Pradeep Mukerjee was inducted in the Committee as the Member and Mr. G. N. Bajpai stepped down. Mr. Pradeep Mukerjee is the Chairman of the Committee

Mr. Chetan Gandhi, Head - Legal & Secretarial, acts as Secretary of the Committee and is also the Compliance Officer of the Company.

The minutes of the Shareholders' / Investors' Grievances and Share Transfer Committee Meetings form part of documents placed before the Meetings of the Board of Directors.

The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). Currently the Company has approximately 152,000

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shareholders and during the year, the Company has not received any request for transfer of equity shares in the physical form.

At the beginning of the year, 13 complaints / correspondence were pending. During the year under review, the Company and M/s. Link Intime India Private Limited, Registrar and Share Transfer Agent, received 33 complaints / correspondence (arising out of IPO and also related to Dividend). Out of the total complaints, 39 complaints were resolved / replied during the year and 7 Consumer Dispute Redressal Forum cases being "Subjudice", hence treated as pending.

GENERAL BODY MEETINGS:

During last three years, three Annual General Meetings i.e. third, fourth and fifth Annual General Meetings of the Company, one Extraordinary General Meeting and two Court Convened Meetings of the equity shareholders were held. The details of the Meetings and the Special Resolutions passed thereat are as follows:

General Meeting	Date, Time and Venue	Special Resolutions passed	
Third Annual General Meeting	August 14, 2008, at 2:30 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Prabhadevi, Mumbai – 400 025	a)	Appointment and Remuneration of Mr. Dhanpal Jhaveri as a Whole - time Director of the Company Designated as 'Executive Director'.
		b)	Approval of FCH Employees Stock Option Scheme - 2008 (FCH ESOS - 2008).
		c)	Approval of FCH Employees Stock Option Scheme – 2008 (FCH ESOS -2008) - Holding and/or Subsidiary Company(ies).
		d)	Approval of FCH Employees Stock Purchase Scheme - 2008 (FCH ESPS - 2008).
		e)	Approval of FCH Employees Stock Purchase Scheme - 2008 (FCH ESPS - 2008) - Holding and/or Subsidiary Company(ies).
		f)	Approval to keep the Register of Members etc., at a place other than the Registered Office.
Court Convened Meeting of Equity Shareholders	June 15, 2009, at 3:00 p.m. at Sunville Banquets, 9 Dr. Annie Besant Road, Worli, Mumbai - 400023	Resolution with the requisite majority prescribed under Section 391 of the Companies Act, 1956, for approving the composite Scheme of Amalgamation and Arrangement between the Company, Future Capital Financial Services Limited and Future Capital Credit Limited and their respective shareholders and creditors.	
Fourth Annual General Meeting	August 4, 2009, at 3:30 p.m. at M. C. Ghia Hall, Bhogilal Harigovinddas Building, 2nd Floor, 18/20, K. Dubash Marg, Kalaghoda, Fort, Mumbai 400 001	a)	Special Resolution under Section 81(1A) of the Companies Act, 1956, for issue and allotment of equity shares through depository receipts in the course of one or more international or domestic public offerings and / private placement basis in domestic and / or one or more international market(s).
		b)	Ratification of pre-IPO FCH Employee Stock Option Scheme 2007 and modification thereof.
		c)	Ratification of pre-IPO FCH Employee Stock Option Scheme 2007, in respect of employees of Holding Company and / or Subsidiary Compan(ies) and modification thereof.
		d)	Modification of FCH Employees Stock Purchase Scheme 2008.
		e)	Modification of FCH Employees Stock Purchase Scheme 2008, in respect of employees of Holding Company and / or Subsidiary Compan(ies).
		f)	Modification of FCH Employees Stock Options Scheme 2008.
		g)	Modification of FCH Employees Stock Options Scheme 2008, in respect of employees of Holding Company and / or Subsidiary Compan(ies).
		h)	Approval for FCH Employees Stock Options Scheme 2009.
		i)	Approval for FCH Employees Stock Options Scheme 2009, in respect of employees of Holding Company and / or Subsidiary Compan(ies).

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General Meeting	Date, Time and Venue	Special Resolutions passed	
Fifth Annual General Meeting	August 9, 2010, at 2:30 p.m. at the Mini Theatre, 3rd floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai 400 025.	a) b)	Appointment of Mr. Krishan Kant Rathi as a Manager. Grant of 2,00,000 Stock Options to Mr. Krishan Kant Rathi under FCH ESOS – 2008.
Extra Ordinary General Meeting	August 27, 2010, at 2:30 p.m. at the Mini Theatre, 3rd floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai 400 025.	a)	Appointment and remuneration of Mr. V. Vaidyanathan as the Managing Director of the Company.
		b)	Preferential allotment of 80,00,000 Warrants to Mr. Kishore Biyani each convertible into one Equity Share of the Company.
		c)	Preferential allotment of 20,00,000 Warrants to Mr. V. Vaidyanathan each convertible into one Equity Share of the Company.
		d)	Payment of commission to Non-Executive Directors of the Company.
Court Convened Meeting of Equity Shareholders	February 17, 2011, at 2:30 p.m. at the Mini Theatre, 3rd floor, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai 400 025.	Resolution with the requisite majority pursuant to provisions of Sections 391 to 394 read with Sections 78 and 100 to 103 of the Companies Act, 1956, for approving the Scheme of Arrangement between the Company and Future Capital Financial Services Limited and their respective shareholders.	

Postal Ballot

In accordance with Section 192A and other applicable provisions of the Companies Act, 1956 and the Companies (Passing of Resolution through Postal Ballot) Rules, 2001, following Special Resolutions were passed on 16th March, 2011, through Postal Ballot:

- Alteration of Object Clause of the Memorandum of Association of the Company;
- Approval of FCH Employee Stock Options Scheme - 2011 for the Employees / Directors of the Company;
- Approval of FCH Employee Stock Options Scheme - 2011 for the Employees / Directors of the Holding / Subsidiary Company(ies); and
- Approving the application of the Securities Premium Account of the Company as provided under the Scheme of Arrangement between the Company and Future Capital Financial Services Limited and their respective shareholders.

(a) Scrutinizer

The Board appointed Ms. Chitra Natesh Iyer, a Practicing Company Secretary, as the Scrutinizer for conducting the postal ballot process in a fair and transparent manner. Ms. Iyer conducted the process and submitted her report to the Chairman.

(b) Procedure followed

i. The postal ballot notice and other related documents were dispatched to the Members under certificate of posting.

ii. A calendar of events along with Board Resolution was submitted with the Registrar of Companies, Maharashtra, Mumbai.

iii. The result of the postal ballot was announced by the Vice Chairman & Managing Director, at the registered office of the Company and was posted on the website of the Company.

REPORT ON CORPORATE GOVERNANCE (CONTD.)

(c) **Details of voting pattern**

After scrutinizing all the ballot forms received, the Scrutinizer reported that all the Special Resolutions were passed by the Members with overwhelming majority, as per the below voting pattern,

i. Alteration of Object Clause of the Memorandum of Association of the Company, by way of Special Resolution.

In favour			Against			Neutral Votes			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
110	46,628,359	99.99%	14	4,552	0.01%	0	0	0	46,632.911

ii. Approval of FCH Employee Stock Options Scheme - 2011 for the Employees / Directors of the Company, by way of Special Resolution.

In favour			Against			Neutral Votes			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
110	46,544,255	99.81%	20	18,618	0.04%	6	70,038	0.15%	46,632,911

iii. Approval of FCH Employee Stock Options Scheme - 2011 for the Employees / Directors of the Company of the Holding / Subsidiary Company(ies) by way of Special Resolution.

In favour			Against			Neutral Votes			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
99	46,544,113	99.81%	19	18,610	0.04%	6	70,188	0.15%	46,632,911

iv. Approving the application of the Securities Premium Account of the Company as provided under the Scheme of Arrangement between the Company and Future Capital Financial Services Limited and their respective shareholders, by way of Special Resolution.

In favour			Against			Neutral Votes			Total No. of Shares
No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
101	46,628,125	99.81%	20	4,600	0.01%	3	186	0.00%	46,632,911

Based on the above voting, the result of the Postal Ballot was declared by the Vice Chairman & Managing Director of the Company on 16th March, 2011.

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DISCLOSURES:

i) **Related Party Transactions**

The Company has no material significant transactions with its related parties that may have a potential conflict with the interest of the Company. The details of transactions between the Company and the related parties are given for information under Note C6 of the Schedule 16 of the Balance Sheet as at 31st March, 2011.

ii) **No Penalty or strictures**

There has been no instance of non-compliance by the Company on any matter relating to the capital markets and accordingly no penalties have been levied or strictures have been passed by the Securities & Exchange Board of India or Stock Exchanges or any other statutory authority.

iii) **Disclosure of accounting treatment**

In the preparation of the financial statements, the Company has followed all the applicable Accounting Standards laid down by the Institute of Chartered Accountants of India.

iv) **Disclosures on Risk Management**

The Company has laid down procedures to inform the Members of the Board about the risk assessment and minimization procedures. A Risk Management Committee consisting of the Directors and the senior executives of the company reviews these procedures to ensure that executive management controls risk through the means of a properly defined framework. The Company has framed the risk assessment and minimization procedure which is periodically reviewed by the Audit Committee and the Board.

v) **Proceeds from the Initial Public Offer of the Company**

The details of the utilization of proceeds raised through Initial Public Offer of equity shares of the Company are disclosed to the Audit Committee. The Company has not utilized these funds for purposes other than those stated in the Prospectus of the Company.

vi) **CEO / CFO Certification**

In accordance with Sub-Clause V of Clause 49 of the Listing Agreement, a certificate from the Vice Chairman & Managing Director and the Head Corporate Center & Chief Financial Officer was placed before the Board.

vii) **Appointment / Re-appointment of Directors**

The details in respect of the Director proposed to be re-appointed are provided in the Directors' Report.

viii) **Management Discussion and Analysis**

The Management Discussion and Analysis Report forms part of the Annual Report and includes discussions on various matters specified under clause 49(IV)(F) of the Listing Agreement.

MEANS OF COMMUNICATION:

Quarterly/annual financial results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and published in a prominent English daily news paper and in a regional language news paper. The quarterly / annual results are also uploaded on the website of the Company on www.futurecapital.in soon after their declaration.

GENERAL SHAREHOLDER INFORMATION:

1.	Annual General Meeting		
	Date and Time	:	Wednesday, August 17, 2011, 4:00 p.m.
	Venue	:	Mini Theatre, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai – 400025
2.	Tentative Financial Calendar	:	The financial year of the Company is from April 1 to March 31 of the following year.
	- First Quarter Results	:	First week of August, 2011
	- Second Quarter Results	:	First week of November, 2011
	- Third Quarter Results	:	Last week of January, 2012
	- Fourth Quarter Results	:	Mid / Last week of May, 2012
3.	Date of Book Closure	:	August 6, 2011 to August 17, 2011 (Both days inclusive)
4.	Dividend Payment Date	:	On or after August 18, 2011
5.	Listing on Stock Exchanges	:	The Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 (BSE). The National Stock Exchange of India Ltd (NSE) Exchange Plaza, 5th Floor, Plot No.C/1, G-Block, Bandra-Kurla Complex,Bandra (East), Mumbai - 400 051
6.	Listing Fees	:	Listing fees of both the Stock Exchanges for the year 2010-11 have been paid.
7.	Stock Code		
	BSE	:	532938
	NSE	:	FCH
	International Securities Identification Number (ISIN)	:	INE688I01017

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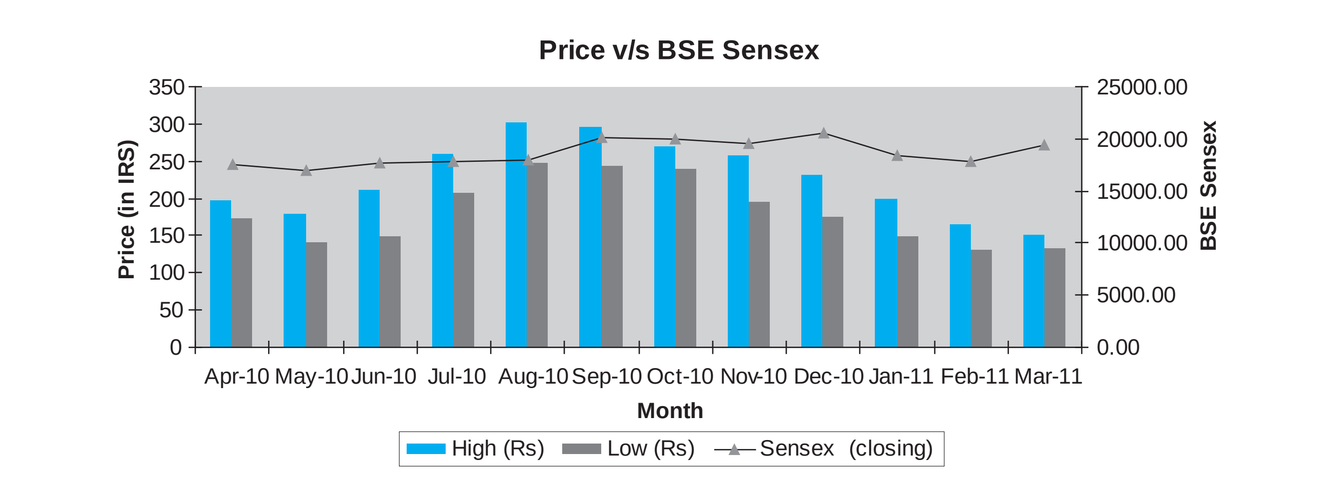
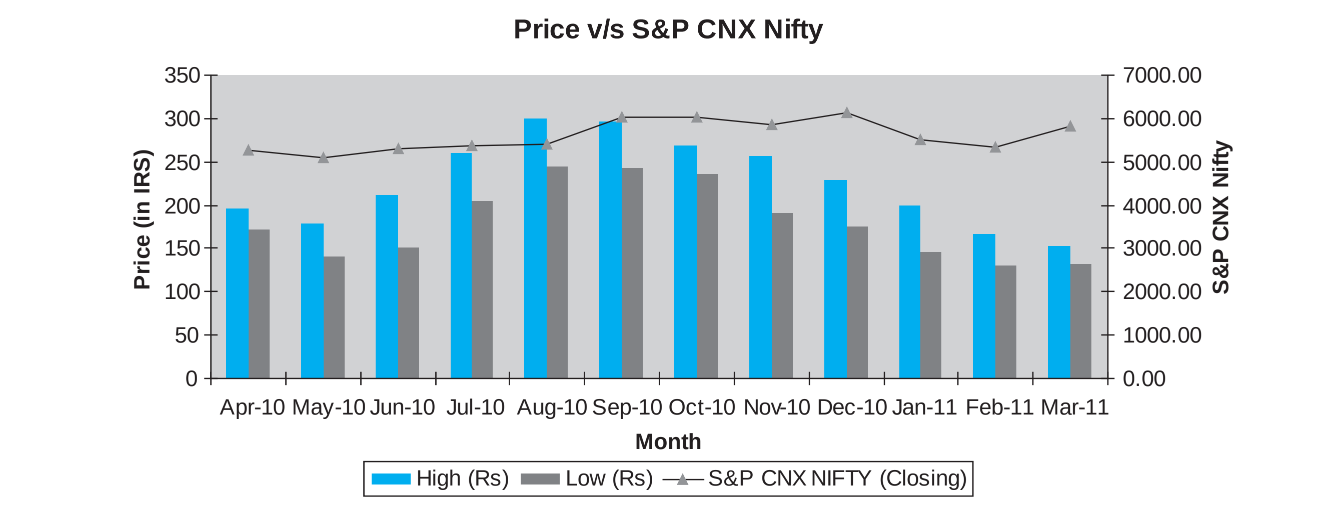
8. **Market Price Data during the financial year ended March 31, 2011**

Month	BSE		NSE	
	High	Low	High	Low
April, 2010	196.40	172.10	196.20	172.00
May, 2010	178.80	140.05	179.00	140.50
June, 2010	212.00	149.80	211.95	150.50
July, 2010	259.00	206.85	259.30	205.00
August, 2010	302.20	247.00	300.00	245.15
September, 2010	296.00	243.30	296.80	243.00
October, 2010	268.95	239.00	269.00	236.05
November, 2010	256.85	194.40	255.65	191.15
December, 2010	230.95	174.80	228.50	174.45
January, 2011	199.00	148.00	199.00	145.00
February, 2011	165.25	131.00	167.00	130.30
March, 2011	150.40	132.30	151.80	132.25

Performance of share price in comparison with broad-based indices, viz. NSE Nifty & BSE Sensex:





REPORT ON CORPORATE GOVERNANCE (CONTD.)

9. **Distribution of Shareholdings as at March 31, 2011:**

Sr. No.	Shareholding Nominal Value of			Share Holders		Share Amount	
				Number	% to Total	In ₹	% to Total
	₹		₹				
	(1)			(2)	(3)	(4)	(5)
1	Upto	-	5,000	150,241	99.04	28,936,560	4.47
2	5,001	-	10,000	637	0.42	4,954,110	0.76
3	10,001	-	20,000	347	0.23	5,246,400	0.81
4	20,001	-	30,000	111	0.07	2,818,400	0.44
5	30,001	-	40,000	62	0.04	2,200,820	0.34
6	40,001	-	50,000	63	0.04	2,930,330	0.45
7	50,001	-	1,00,000	102	0.07	7,563,050	1.17
8	1,00,001 and above			132	0.09	593,185,170	91.56
	Total			**151,695**	**100**	**647,834,840**	**100**

10. Categories of Shareholdings as on March 31, 2011 :

Category	**No. of Shares**	**%**
Promoters & their relatives	39,553,794	61.05
Mutual Funds and UTI	393,489	0.61
Banks, Financial Institutions, Insurance Companies	160,700	0.25
Foreign Institutional Investors	898,034	1.39
Bodies Corporate	6,708,184	10.35
Indian Public	10,798,497	16.67
Non Resident Individuals/ Overseas Corporate Bodies	5,891,773	9.09
Others	379,013	0.59
Total	**64,783,484**	**100.00**

11. Registrar and Share Transfer Agents: : M/s. Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 078. Tel. No.: 022-25963838, Fax No.: 022-25672693

12. Dematerialisation of shares and liquidity: : Equity Shares of the Company are under compulsory Demat trading. As on March 31, 2011, a total of 63,823,274 equity shares aggregating to 98.52 % of the total issued, subscribed and paid-up equity share capital of the Company, are in dematerialised form.

13. Outstanding GDRs / ADRs / Warrants or any Convertible instruments : 1,00,00,000 warrants

14. Plant Locations : Not Applicable

15. Address for correspondence : Registrar and Transfer Agent
M/s. Link Intime India Private Limited
Unit : Future Capital Holdings Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W), Mumbai - 400 078
Tel. No.: 022-25963838,
Fax No.: 022-25672693
Company Secretary
Mr. Chetan Gandhi, Head - Legal & Secretarial
Future Capital Holdings Limited
FCH House, Peninsula Corporate Park, Ganpatrao Kadam Marg,
Lower Parel, Mumbai 400 013
Tel. No.: 022-6642 3480;

16. Designated E-mail ID fch.contactus@futurecapital.in

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Pursuant to the requirements of the Circular dated April 24, 2009, issued by the Securities & Exchange Board of India (SEBI) and in accordance with Clause 5A of the Listing Agreement, the aggregate Equity Shares which are unclaimed by the shareholders under the Initial Public Offer are 2,984 as on 31st March, 2011. The Company has opened a separate demat suspense account and has credited the said unclaimed shares in compliance with requirements of the said SEBI Circular/Clause 5A of the Listing Agreement.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS:

The extent of compliance in respect of non-mandatory requirements is as follows:

i. **Chairman of the Board**

No separate office is maintained for the Non-Executive Chairman. The Company does not reimburse expenses incurred by him in performance of his duties.

No specific tenure has been specified for the Independent Directors. However, they are liable to retire by rotation and seek re-appointment by the Members.

ii. **Remuneration Committee**

Please refer to the details given under “Compensation and Nomination Committee”.

iii. **Shareholders’ Rights**

The equity shares of the Company are listed on the Stock Exchanges with effect from February 1, 2008. The Company has not yet commenced sending half yearly financial performance to each household of the shareholders.

iv. **Audit Qualifications**

There are no audit qualifications in the financial statements for the year 2010-11. Standard practices and procedures are in place to ensure unqualified financial statements.

v. **Training of Board Members**

The Directors interact with the management in a very free and open manner on information that may be required by them for orientation with the business of the Company.

vi. **Mechanism for evaluating Non-executive Board Members**

The evaluation process is yet to be formulated by the Board.

vii. **Whistle Blower Policy**

The Company has initiated steps to implement a Whistle Blower Policy.

AUDITORS' CERTIFICATE

To,

The Members of Future Capital Holdings Limited

We have examined the compliance of conditions of corporate governance by Future Capital Holdings Limited (the Company), for the year ended on 31st March, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

For **S. R. BATLIBOI & CO.**
Chartered Accountants

Sd/-
Hemal Shah
Partner
Membership No.: 42650

Place : Mumbai

Date : June 30, 2011

AUDITORS' REPORT

To,

The Members of Future Capital Holdings Limited

1. We have audited the attached Balance Sheet of Future Capital Holdings Limited (the 'Company') as at March 31, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
    i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
    ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
    iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
    iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
    v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
    vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
        a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
        b) in the case of the profit and loss account, of the profit for the year ended on that date; and
        c) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

Per Hemal Shah
Partner
Membership No.: 42650

Mumbai
Date : June 30, 2011

ANNEXURE TO THE AUDITORS' REPORT

Re: Future Capital Holdings Limited ('the Company')

With reference to the Annexure referred to in Paragraph 3 of the report of the Auditor's to the members of Future Capital Holdings Limited for the year ended 31 March 2011, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There are no substantial disposal of fixed assets during the year.

(ii) (a) The Company does not have any inventory. Hence, the provisions of Clause 4(ii)(a), (b) and (c) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.

(iii) (a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount (including interest thereon) involved during the year was ₹16.61 Crores and the year- end balance of loans granted to such party was ₹ 15 Crores.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.

(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(e) The Company has not taken an unsecured loan from any company covered in the register maintained under section 301 of the Companies Act, 1956.

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, certain transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time. In respect of certain other transactions, made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

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

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty have generally been regularly deposited with the appropriate authorities.

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

ANNEXURE TO THE AUDITORS' REPORT

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	155,983,259	A Y 2007-08	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	11,074,565	A Y 2008-09	Commissioner of Income Tax (Appeals)

x) The Company doesn't have any accumulated losses standing in the books. The company has neither incurred any cash losses during the current financial year nor in the immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company has issued Non - Convertible debentures during the year. Debentures are secured by charge on fixed assets and moveable assets. In our opinion and according to the information and explanations given to us, debentures issued are fully secured against the assets of the company.

(xx) As informed to us, the Company has not raised any money by way of public issues during the year. Hence, the provision of clause (xx) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable to the Company.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Per Hemal Shah
Partner
Membership No.: 42650

Mumbai
Date : June 30, 2011

BALANCE SHEET AS AT MARCH 31, 2011

Amount in ₹

		Schedules	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS				
Shareholders' funds				
Share capital		1	647,834,840	635,279,840
Share Warrants		1A	592,500,000	-
Reserves and surplus		2	6,166,451,012	6,899,723,850
			7,406,785,852	**7,535,003,690**
Loan funds		3		
Secured loans			19,619,746,992	1,052,949,942
Unsecured loans			6,009,976,371	3,373,874,029
			25,629,723,363	**4,426,823,971**
Defered tax liabilities (net)			-	1,728,028
[Refer note C9 of Schedule 16]				
Total			**33,036,509,215**	**11,963,555,689**
APPLICATION OF FUNDS				
Fixed assets		4		
Gross block			227,215,535	43,749,701
Less: Accumulated depreciation/ amortisation			174,198,707	13,895,745
			53,016,828	**29,853,956**
Capital work-in-progress (including capital advances)			21,687,600	-
Net Block			**74,704,428**	**29,853,956**
Investments		5	**2,846,493,236**	**5,588,303,308**
Deferred tax assets (net) [refer Note C9 of Schedule 16]			**52,489,254**	**-**
Current assets, loans and advances				
Interest accrued on investments			18,618,166	10,353,991
Sundry debtors		6	75,313,431	22,403,433
Cash and bank balances		7	3,697,116,253	234,230,721
Other current assets		8	285,520,165	30,087,239
Loans and advances		9	28,696,549,601	6,352,760,694
	(A)		**32,773,117,616**	**6,649,836,078**
Less: Current liabilities and provisions		10		
Current liabilities			1,976,774,835	228,794,921
Provisions			733,520,484	75,642,732
	(B)		**2,710,295,319**	**304,437,653**
Net current assets	**(A-B)**		**30,062,822,297**	**6,345,398,425**
Total			**33,036,509,215**	**11,963,555,689**
Notes to Accounts		16		

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

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman & Managing Director

Ashok Shinkar
Head-Corporate Center & Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

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

Amount in ₹

	Schedules	For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME			
Income from operations	11	2,385,362,486	553,783,595
Other income	12	251,918,986	4,122,990
Total		**2,637,281,472**	**557,906,585**
EXPENDITURE			
Personnel expenses	13	240,729,263	136,897,217
Administration and other expenses	14	583,334,498	120,494,960
Depreciation/ amortisation	4	5,647,270	4,864,967
Financial expenses	15	1,055,679,483	87,649,202
Total		**1,885,390,514**	**349,906,346**
Profit before tax		**751,890,958**	**208,000,239**
Provision for tax:			
Current tax		253,500,000	34,814,000
Deferred tax		(54,217,282)	6,832
		199,282,718	**34,820,832**
Profit after tax		**552,608,240**	**173,179,407**
Balance brought forward from previous year		210,944,610	146,725,649
Profit available for appropriation		**763,552,850**	**319,905,056**
Transfer to reserve under section 45 (1C) of the Reserve Bank of India (RBI) Act, 1934		110,521,648	34,635,881
Proposed dividend		97,175,226	63,527,984
Dividend tax thereon		15,764,251	10,796,581
Transfer to general reserve		27,630,412	-
Balance carried to Balance Sheet		**512,461,313**	**210,944,610**
Earnings per share: (Refer note C8 of Schedule 16)			
- Basic		8.60	2.73
- Diluted		8.58	2.70
Notes to Accounts	16		

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

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman & Managing Director

Ashok Shinkar
Head-Corporate Center & Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

Amount in ₹

		For the year ended March 31, 2011	For the year ended March 31, 2010
A.	**Cash Flow From Operating Activities**		
	Profit Before Tax	**751,890,958**	**208,000,239**
	Adjustments for :		
	Depreciation/ amortisation	5,647,270	4,864,967
	Bad debts written off (net of recovery)	7,437,441	-
	Provision for diminution in investments	247,938,400	-
	Provision for standard assets	60,001,000	-
	Provision for doubtful debts and advances	4,560,360	-
	Provision for Gratuity	3,236,559	(2,192,432)
	Provision for Leave encashment	2,543,819	(1,365,977)
	Profit on sale of shares	(250,136,882)	-
	Loss on sale of fixed assets	2,221	-
	Unrealised foreign exchange gain	-	763,840
		81,230,188	**2,070,398**
	Operating Profit Before Working Capital Changes	**833,121,146**	**210,070,637**
	Adjustment for changes in working capital:		
	(Increase)/ Decrease in Sundry Debtors	(9,917,375)	1,962,191
	(Increase)/ Decrease in Loans and Advances	(14,524,291,951)	(4,356,028,793)
	(Increase)/ Decrease in Other Current Assets	37,644,818	(400,545)
	Increase/ (Decrease) in Current Liabilities	772,423,096	149,821,803
	Cash generated from operations	**(12,891,020,266)**	**(3,994,574,707)**
	Taxes Paid/ tax deducted at source	(295,624,552)	(38,919,706)
	Net Cash used in Operating Activities	**(13,186,644,818)**	**(4,033,494,413)**
B.	**Cash Flow From Investing Activities**		
	Purchase of Fixed Assets (including capital advances)	(26,245,817)	(318,680)
	Sale proceeds from fixed assets	41,390	-
	Purchase of investments	(2,470,581,535)	(19,034,607,259)
	Sale proceeds from investments	2,807,652,781	18,761,628,481
	Net Cash used in Investing Activities	**310,866,819**	**(273,297,458)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from issue of Equity Share Capital	12,555,000	-
	Proceeds from Securities Premium on issue of Equity Share Capital	156,166,000	-
	Proceeds from issue of Share Warrants	592,500,000	-
	Payment of securities issue expenses	(55,645,000)	-
	Payment of dividend	(63,307,806)	-
	Payment of dividend tax	(10,796,581)	-
	Proceeds from long term borrowings	10,811,273,972	-
	Repayment of long term borrowings	(1,791,259,646)	(166,666,668)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011 (CONTD.)

Amount in ₹

	For the year ended March 31, 2011	For the year ended March 31, 2010
Proceeds from short term borrowings	6,826,064,193	3,488,179,027
Repayment of short term borrowings	(500,000,000)	-
Net Cash From Financing Activities	**15,977,550,132**	**3,321,512,359**
Net increase in Cash and Cash Equivalents during the year (A+B+C)	**3,101,772,133**	**(985,279,512)**
Cash and Cash equivalents at beginning of the year	2,055,178,221	3,047,182,236
Add:Cash and Cash equivalents acquired on amalgamation	112,479,299	-
(Refer note A2 of Schedule 16)		
Less: Transferred to Credit Business Division	-	6,724,503
	2,167,657,520	3,040,457,733
Cash and Cash equivalents at the end of the year	**5,269,429,653**	**2,055,178,221**
Cash and Cash equivalents comprises of :	**As at March 31, 2011**	**As at March 31, 2010**
Cash in Hand	16,112,834	39,134
Balance with scheduled banks:		
- on current account *	3,380,056,798	231,879,966
- in fixed deposits	298,635,000	-
Short term investments in liquid schemes of mutual funds	1,574,625,021	1,823,259,121
Total	**5,269,429,653**	**2,055,178,221**

*Excludes balance of ₹ 2,311,621 (Previous year : ₹ 2,311,621) with a bank for which refund instruments have been issued to the investors but yet to be encashed by the investors.

Notes:

1 Cash and cash equivalents in the balance sheet comprise cash at bank, cash in hand and short term investments with an original maturity of three months or less.

2 During the year, the Company acquired net assets of ₹ 1,160,940,243 from Future Capital Financial Services Limited pursuant to the Scheme of Arrangement and Amalgamation in a non cash transaction. (Refer note A2 of Schedule 16)

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman &
Managing Director

Ashok Shinkar
Head-Corporate Center &
Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

SCHEDULES FORMING PART OF THE BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 1 : Share Capital		
Authorised		
113,000,000 (Previous year: 75,000,000) equity Shares of ₹ 10/- each	1,130,000,000	750,000,000
	1,130,000,000	**750,000,000**
Issued, Subscribed & Paid-up		
64,783,484 (Previous year: 63,527,984) equity shares of ₹ 10/- each fully paid up. [Out of the above, 34,779,999 (Previous year: 34,779,999) equity shares are held by Pantaloon Retail (India) Limited, the Holding Company].	647,834,840	635,279,840
(For stock options outstanding details refer note C4 of Schedule 16)		
Total	**647,834,840**	**635,279,840**
Schedule 1A : Share Warrants		
Share Warrants	592,500,000	-
10,000,000 (Previous year: Nil) partly paid share warrants of ₹ 237/- each to be converted into Equity Shares of ₹ 10/- each at a premium of ₹ 227/-		
Total	**592,500,000**	**-**
Schedule 2 : Reserves and surplus		
Reserve under Section 45 (1C) of the RBI Act		
Balance as last Balance Sheet	71,343,345	36,707,464
Add : Addition on amalgamation of subsidiary	57,584,694	-
(Refer note A2 of Schedule 16)		
Add : Transferred from profit and loss account	110,521,648	34,635,881
	239,449,687	**71,343,345**
Securities Premium Account		
Balance as per last Balance Sheet	6,617,435,895	6,617,435,895
Add : Received during the year	156,166,000	-
Less : Debenture issue expenses	(55,645,000)	-
Less : Amalgamation adjustments (Refer note A2 of Schedule 16)	(997,362,965)	-
	5,720,593,930	**6,617,435,895**
General Reserve		
Transferred from proft and loss account	27,630,412	-
Profit and Loss Account		
Balance carried from profit and loss account	512,461,313	210,944,610
Less : Debit Balance on amalgamation of subsidiary	(333,684,330)	-
(Refer note A2 of Schedule 16)		
	178,776,983	**210,944,610**
Total	**6,166,451,012**	**6,899,723,850**

SCHEDULES FORMING PART OF THE BALANCE SHEET

		Amount in ₹
	As at March 31, 2011	**As at March 31, 2010**
Schedule 3 : Loan Funds		
(Refer note A2 of Schedule 16)		
A. Secured Loans		
Cash Credit/ Overdraft from banks	5,180,133,534	761,283,277
- Cash credit of ₹ 4,679,832,164 (Previous period: ₹ 511,283,277) is secured by way of first *pari passu* charge on receivables, book debts and movable assets of the Company. - Cash credit of ₹ 500,301,370 (Previous year: ₹ 250,000,000) is secured by way of first charge on receivables, book debts and movable assets of the Company and further secured by collateral of first pari passu charge on immovable property owned by a subsidiary company. [Includes interest accrued and due ₹ 2,645,605 (Previous year: ₹ 180,000)] [Repayable within one year ₹ 5,180,133,534 (Previous year: ₹ 761,283,277)]		
Term Loans from banks	8,798,339,485	291,666,665
- Term loans of ₹ 124,999,997 (Previous year: ₹ 291,666,665) is secured by way of first *pari passu* charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security. - Term loans of ₹ 2,000,000,000 (Previous year: ₹ Nil) is secured by way of first pari passu charge on receivables of the Company. - Term loans of ₹ 2,000,000,000 (Previous period: ₹ Nil) is secured by way of first exclusive charge on priority sector lending receivables of the Company. - Term loans of ₹ 2,500,000,000 (Previous year: ₹ Nil) is secured by way of first exclusive charge on receivables of the Company and further secured by collateral security of immovable property owned by a subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security. - Term loan of ₹ 666,666,668 (Previous year: ₹ Nil) is secured by way of first pari passu charge on retail receivables/ book debts of the Company and further secured by way of collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security. - Term loan of ₹ 701,388,884 (Previous year: ₹ Nil) is secured by way of hypothecation of underlying assets financed by the Company and receivables on first pari passu basis. - Term loan of ₹ 805,283,936 (Previous year: ₹ Nil) is secured by way of first exclusive charge on certain retail receivables of the company		
[Includes interest accrued and due ₹ Nil (Previous year: ₹ Nil)] [Repayable within one year ₹ 2,525,000,000 (Previous year: ₹ 166,666,665)]		
Term Loans from others	500,273,973	-
Term loans of ₹ 500,000,000 (Previous year: ₹ Nil) is secured by way of first exclusive charge on retail receivables of the Company.		
[Includes interest accrued and due ₹ 273,973 (Previous year: ₹ Nil)] [Repayable within one year ₹ 500,273,973 (Previous year: ₹ Nil)]		

SCHEDULES FORMING PART OF THE BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 3 : Loan Funds (Contd.)		
Non convertible debentures	5,141,000,000	-
(i) ₹ 1,561,000,000 carries a put and call option after 36 months from the date of allotment;		
(ii) ₹ 1,080,000,000 redeemable in three instalments of 30%, 30% and 40% after the expiry of 48, 54 and 60 months respectively from the deemed date of allotment;		
(iii) ₹ 2,500,000,000 redeemable after the expiry of 60 months from the date of issue.		
Debentures are secured by first pari passu charge on fixed assets, first exclusive charge on certain receivables of Retail and Corporate loans		
	19,619,746,992	**1,052,949,942**
B. Unsecured Loans		
Short term loans		
Commercial Paper	6,009,976,371	3,123,874,029
[Repayable within one year ₹ 6,009,976,371 (Previous year: ₹ 3,123,874,029)] Maximum amount raised at any time during the yeat ₹ 8,494,000,000 (Previous year: ₹ 3,250,000,000)		
Inter corporate deposits taken	-	250,000,000
[Repayable on demand ₹ Nil (Previous year: ₹ Nil) Maximum amount outstanding ₹ 250,000,000 (Previous year: ₹ 250,000,000)]		
	6,009,976,371	3,373,874,029
Total	**25,629,723,363**	**4,426,823,971**

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 4 : Fixed Assets

(Refer note A2 of Schedule 16)

Amount in ₹

Description	Gross Block					Depreciation/ amortisation					Net Block	
	Balance as on April 1, 2010	Addition on amalgamation of subsidiary	Additions during the year	Deletion/ Adjustments	Balance as on March 31, 2011	Balance as on April 1, 2010	Addition on amalgamation of subsidiary	For the Year	Deletion/ Adjustments	Balance as on March 31, 2011	Balance as on March 31, 2011	Balance as on March 31, 2010
Intangible Assets												
Domain Names and Trade Names (Note 1)	332,736	1,237,306	17,500	-	1,587,542	331,403	573,759	38,550	-	943,712	643,830	1,333
Data Processing Software	-	21,185,358	70,000	-	21,255,358	-	12,188,830	368,332	-	12,557,162	8,698,196	-
Tangible Assets												
Land	-	-	625,000	-	625,000	-	-	-	-	-	625,000	-
Computers and Printers	10,777,707	55,604,012	1,691,406	81,500	67,991,625	4,622,263	48,447,979	1,985,658	37,889	55,018,011	12,973,614	6,155,444
Office Equipment	5,087,971	14,976,911	1,645,012	-	21,709,894	780,623	13,639,486	269,620	-	14,689,729	7,020,165	4,307,348
Furnitures & Fixtures	14,683,649	16,689,523	747,800	-	32,120,972	2,993,973	15,990,440	1,494,288	-	20,478,701	11,642,271	11,689,676
Electrical Installation	4,049,730	-	-	-	4,049,730	606,585	-	192,356	-	798,941	3,250,789	3,443,145
Air Conditioners	1,691,036	6,495,613	-	-	8,186,649	251,269	5,088,457	77,761	-	5,417,487	2,769,162	1,439,767
Leasehold Improvements	7,126,872	62,538,572	-	-	69,665,444	4,309,629	58,741,309	1,220,705	-	64,271,643	5,393,801	2,817,243
Vehicle	-	23,321	-	-	23,321	-	23,321	-	-	23,321	-	
Total	**43,749,701**	**178,750,616**	**4,796,718**	**81,500**	**227,215,535**	**13,895,745**	**154,693,581**	**5,647,270**	**37,889**	**174,198,707**	**53,016,828**	**29,853,956**
Previous year	**251,515,411**	**-**	**318,680**	**208,084,390**	**43,749,701**	**64,053,981**	**-**	**4,864,967**	**55,023,203**	**13,895,745**	**29,853,956**	**-**

Notes:

1. The Company has applied for registration of trademark and is awaiting the registration.
2. Assets co-owned with other subsidiary includes gross block ₹ 15,357,178 (Previous year: ₹ 15,357,178), accumulated depreciation ₹ 6,546,304 (Previous year: ₹ 4,974,444) and net block ₹ 8,810,874 (Previous year: ₹ 10,382,734).
3. Assets aggregating gross block ₹ 33,246,776 (Previous year: ₹ 32,639,258), accumulated depreciation ₹ 11,810,172 (Previous year: ₹ 8,942,079) and net block ₹ 21,436,604 (Previous year: ₹ 23,697,179) are in the possession and use by Everstone Investment Advisors Private Limited ('EIAPL')

SCHEDULES FORMING PART OF THE BALANCE SHEET

Amount in ₹

		As at March 31, 2011	As at March 31, 2010
Schedule 5 : Investments			
(Refer note A2 of Schedule 16)			
Long term investments (At cost)			
Other than trade (Unquoted)			
Equity Shares of Rs 10 each fully paid up:	Quantity#		
In Subsidiaries			
Ambit Investment Advisory Company Limited	2,249,994 (2,249,994)	24,499,928	24,499,928
Myra Mall Management Company Limited	1,000,000 (1,000,000)	10,000,000	10,000,000
Kshitij Investment Advisors Company Limited	2,999,994 (2,999,994)	45,879,922	45,879,922
Future Capital Investment Advisors Limited	2,249,994 (2,249,994)	22,749,937	22,749,937
Future Finance Limited	10,750,000 (10,750,000)	122,437,061	122,437,061
Future Capital Financial Services Limited (Refer note A2 of Schedule 16)	- (26,124,934)	-	2,158,303,208
Future Hospitality Management Limited	49,940 (49,940)	499,940	499,940
Kshitij Property Solutions Private Limited	684,000 (684,000)	30,613,273	30,613,273
Axon Development Solutions Ltd.	49,940 (49,940)	499,400	499,400
FCH Centrum Wealth Managers Limited	2,805,600 (-)	259,698,400	-
Future Capital Home Finance Private Limited	9,999 (-)	99,990	-
Anchor Investment and Trading Private Limited	16,987 (-)	774,608	-
		517,752,459	**2,415,482,669**
Less: Provision for diminution in investments		(247,938,400)	-
(Refer Note C16 of Schedule 16)			
	(I)	**269,814,059**	**2,415,482,669**
Others			
6% Unsecured subordinated convertible debentures of ₹ 10 each fully paid up of Future Capital Financial Services Limited	- (33,000,000)	-	330,000,000
12.50%, Secured redeemable non-convertible debentures of ₹ 10,000,000 fully paid up of Era Housing & Developers (India) Limited	75 (-)	750,000,000	-
12% Cumulative Non-convertible Preference Shares of ₹ 100 each fully paid up of FCH Centrum Wealth Managers Limited	2,500,000 (-)	250,000,000	-
	(II)	**1,000,000,000**	**330,000,000**
Total (A)		**1,269,814,059**	**2,745,482,669**
Current Investments			
Investments in Mutual funds (At net asset value) (Unquoted)			
Investment in Mutual Funds units of ₹ 10 each, fully paid-up:	Quantity#		
Reliance Liquidity Fund-Dividend Daily Reinvestment	- (11,396,671)	-	114,021,416
Reliance Liquidity Fund-Growth	8,114,584 (-)	119,833,743	-
HDFC Liquid Premium Plan -Dividend Daily Reinvestment	- (23,686,233)	-	290,388,485
HDFC Liquid Fund - Premium Plan - Growth	21,855,943 (6,332,883)	429,547,958	116,872,251
Birla Sunlife Cash Plus Institutional Premium Dividend Reinvestment	- (26,131,556)	-	261,825,120
Birla Sunlife Cash Plus Institutional Premium -Growth	17,536,671 (-)	275,243,320	-

SCHEDULES FORMING PART OF THE BALANCE SHEET

Amount in ₹

		As at March 31, 2011	As at March 31, 2010
JP Morgan India Liquid Fund -Super Institutional Growth	- (21,020,945)	-	250,037,838
Religare Liquid Fund-Super Institutional Growth	- (19,783,646)	-	250,035,610
SBI Premier Liquid Fund-Super Institutional Growth	- (37,334,070)	-	540,078,401
SBI Ultra Short Term Fund-Institutional Plan Growth	58,586,427 (-)	750,000,000	-
	(I)	**1,574,625,021**	**1,823,259,121**
Other investments (At lower of cost or market value) (un-quoted)			
Investment in Pass Through Certificates of MOSEC	27 (-)	2,054,156	-
	(II)	**2,054,156**	**-**
In Joint Venture with: (At lower of cost or market value) (unquoted)			
(Refer Note C11 of Schedule 16)			
Equity Shares of ₹ 10 each fully paid up:			
Realterm FCH Logistics Advisors Private Limited	- (2,000,000)	-	20,000,000
FCH Centrum Wealth Managers Limited	- (1,402,800)	-	249,698,400
FCH Centrum Direct Limited	- (2,958,121)	-	749,863,118
	(III)	**-**	**1,019,561,518**
	Total (B)	**1,576,679,177**	**2,842,820,639**
	Grand Total (A) + (B)	**2,846,493,236**	**5,588,303,308**
Aggregate amount of unquoted investments		2,846,493,236	5,588,303,308
Net asset value of units in mutual funds		1,574,625,021	1,823,259,121

Includes 43,187,927 (Previous year: 65,055,849) units aggregating ₹ 739,735,784 (Previous year: ₹ 755,338,894) pledged against overdraft of ₹ 603,819,276 (Previous year: ₹ 597,147,620) taken by a subsidiary of the Company.

Figures in bracket relates to previous year figures

Details of investments purchased and sold during the year	**No. of units***	**March 31, 2011**	**March 31, 2010**
Birla Cash Plus - Instl. Prem. - Daily Dividend Reinvestment	2,237,594 (-)	22,419,570	-
Birla Cash Plus - Instl. Prem. - Growth	- (248,589,157)	-	3,607,400,000
HDFC Liquid Fund - Premium Plan - Growth	6,332,823 (87,580,152)	114,535,934	1,583,981,490
HDFC Liquid Premium Plan - Daily Dividend Reinvestment	2,017,411 (8,321,643)	24,733,052	10,202,162
ICICI Prudential Institutional Liquid Plan - sup.inst.	- (123,935,755)	-	3,956,247,596
JP Morgan India Liquid Fund-Super Inst-Growth	169,949,999 (-)	2,061,000,000	-
Peerless Liquid Fund - Super Institutional - Growth	255,548,729 (-)	2,639,000,000	-
Reliance Liquity Fund-Daily Dividend Reinvestment	965,669 (-)	9,660,839	-
Reliance Liquity Fund-Growth	183,719,514 (271,214,831)	2,613,500,000	3,686,400,000
Religare Liquid Fund - Super IP - Growth	4,309,861 (-)	57,500,000	-
Religare Liquid Fund-Super Institutional Growth	37,898,754 (-)	486,000,000	-
Religare Ultra Short Term Fund - IP - Growth	24,928,049 (-)	330,000,000	-
SBI Premier Liquid Fund - Institutional - Daily Dividend	- (24,892,650)	-	360,028,376
SBI Premier Liquid Fund -Super Institutional Growth	413,525,185 (-)	6,092,000,000	-
UTI Liquid Cash Plan Institutional	2,017,526 (2,349,140)	3,123,499,997	3,495,500,002

* Figures in bracket relate to previous year

SCHEDULES FORMING PART OF THE BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 6 : Sundry Debtors		
(Refer note A2 of Schedule 16)		
Secured, considered good		
Debts outstanding for a year exceeding six months	2,529,044	-
Other debts	2,045,000	-
Less: Provision for doubrful debts	(994,020)	-
	3,580,024	**-**
Unsecured, considered good		
Debts outstanding for a year exceeding six months	17,828,320	-
Other debts	81,382,434	22,403,433
Less: Provision for doubrful debts	(27,477,347)	-
	71,733,407	**22,403,433**
Total	**75,313,431**	**22,403,433**
Schedule 7 : Cash and Bank Balances		
(Refer note A2 of Schedule 16)		
Cash on hand	16,112,834	39,134
Balance with scheduled banks:		
- on current account *	3,382,368,419	234,191,587
- in fixed deposits	298,635,000	-
Total	**3,697,116,253**	**234,230,721**
* Includes balance of ₹ 2,311,621 (Previous year: ₹ 2,311,621) with a bank for which refund instruments have been issued to the investors but yet to be encashed by the investors.		
Schedule 8 : Other Current Assets		
(Refer note A2 of Schedule 16)		
Interest accrued but not due	232,311,989	30,087,239
Unamortised loan origination cost	47,350,183	-
(Refer note C19 of Schedule 16)		
Unbilled Subvention Income	5,857,993	-
Total	**285,520,165**	**30,087,239**
Schedule 9 : Loans and Advances		
(Refer Note C12 of Schedule 16 and note A2 of Schedule 16)		
Secured, considered good		
Loans to body corporates	17,808,018,709	5,668,833,338
Retail loans-secured		
- Considered Good	8,580,659,052	-
- Considered Doubtful	79,125,558	-
Less : Provision for Bad and Doubtful Debt	(29,309,356)	-
	8,630,475,254	**-**
Unsecured, considered good		
Retail loans		
-Considered Good	1,409,138,845	-
-Considered Doubtful	36,438,165	-
Less : Provision for Bad and Doubtful Debt	(14,901,347)	-
	1,430,695,663	**-**
Loans / Inter corporate deposits to subsidiaries	-	26,700,000
Inter corporate deposits to other body corporates	251,483,530	318,000,000

SCHEDULES FORMING PART OF THE BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Security deposits		
-Considered Good	41,577,921	35,485,000
-Considered Doubtful	4,207,587	-
Less : Provision for doubtful deposits	(4,207,587)	-
	41,577,921	**35,485,000**
Advances to staff	10,000,000	-
Advances recoverable in cash or in kind or for value to be received*		
-Considered Good	345,147,213	166,695,597
-Considered Doubtful	2,042,616	-
Less : Provision for doubtful advances	(2,042,616)	-
	345,147,213	**166,695,597**
Advance taxes (net of provision for tax)	178,293,976	136,718,454
Fringe benefit tax (net of provision for fringe benefit tax)	877,335	328,305
Total	**28,696,549,601**	**6,352,760,694**

Schedule 10 : Current Liabilities and Provisions

(Refer note A2 of Schedule 16)

	As at March 31, 2011	As at March 31, 2010
(A) Current Liabilities		
Sundry creditors		
(Refer note C2 of Schedule 16)		
- Due to micro and small enterprises	-	
- Due other than micro and small enterprises	318,767,088	50,577,391
Overdrawn Book balance	811,511,316	
Cash collateral against retail loans	387,775,843	-
Advance from customers	117,132,401	-
Interest accrued but not due on loans	258,038,846	64,726
Unamortised processing fees/ subvention income	50,884,400	-
(Refer note C19 of Schedule 16)		
Amount due to subsidiary companies	-	173,571,163
Unclaimed dividend	220,178	-
Unpaid Share Application Money *	2,311,621	2,311,621
Other liabilities	30,133,142	2,270,020
Total	**1,976,774,835**	**228,794,921**

* Represents refund instruments issued to the investors but yet to be encashed by the investors. This does not include any amount, due and outstanding, to be credited to Investor Education and Protection Fund.

	As at March 31, 2011	As at March 31, 2010
(B) Provisions		
Proposed dividend	97,175,226	63,527,984
Dividend tax thereon	15,764,251	10,796,581
For standard assets	74,101,000	-
For credit loss on assignments	190,221,425	-
For foreclosures	349,160,037	-
For Gratuity	4,388,257	1,151,698
For Leave encashment	2,710,288	166,469
Total	**733,520,484**	**75,642,732**

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

		Amount in ₹
	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 11 : Income from operations		
(Refer note A2 of Schedule 16)		
Investment advisory fees	-	131,727,150
Upfront fees	318,173,714	59,600,000
(TDS: ₹ 34,923,736; Previous year: ₹ 6,357,579)		
Interest on loans and advances	1,532,912,961	267,965,763
(TDS: ₹ 149,625,142; Previous year: ₹ 41,204,773)		
Dividend from mutual fund units	33,466,798	23,367,537
Profit on sale of investments	37,611,392	56,553,830
Interest on retail loans	245,273,028	-
(TDS: ₹ 479,918; Previous year: ₹ Nil)		
Income from assignment of loans	147,570,316	-
Proceesing fees and other charges	35,447,731	-
Subvention income	4,153,069	-
(TDS ₹ 127,194; Previous year: ₹ Nil)		
Interest on fixed deposits	3,506,247	-
Interest on Investments	25,159,178	14,569,315
(TDS: ₹ 1,980,000; Previous year: ₹ 1,417,517)		
Commission and brokerage Income	2,088,052	-
(TDS ₹ 223,759; Previous year: ₹ Nil)		
Total	**2,385,362,486**	**553,783,595**
Schedule 12 : Other Income		
(Refer note A2 of Schedule 16)		
Foreign exchange gain (net)	881,339	-
Profit on sale of shares	250,136,882	-
(Refer note C11 of Schedule 16)		
Other income	900,765	4,122,990
(TDS: ₹ 4,000; Previous year: ₹ 13,330)		
Total	**251,918,986**	**4,122,990**
Schedule 13 : Personnel expenses		
(Refer note A2 of Schedule 16)		
Salaries, wages and allowances	233,446,792	129,634,305
Contribution to provident and other funds	6,137,321	4,169,579
Staff welfare	1,145,150	3,093,333
Total	**240,729,263**	**136,897,217**

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

Amount in ₹

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 14 : Administrative and other expenses		
(Refer note A2 of Schedule 16)		
Rent	17,862,320	44,185,570
Rates and taxes	3,137,913	2,219,044
Insurance charges	988,878	250,043
Repairs and maintenance		
- Others	7,287,897	4,244,024
Business promotion expenses	2,326,810	732,134
Commission and brokerage	20,572,573	210,014
Traveling expenses	4,694,044	7,555,164
Communication expenses	8,371,136	3,856,736
Printing and stationery	9,168,604	4,841,970
Legal and professional	93,462,893	33,178,271
Recruitment expenses	6,422,705	26,191
Membership and subscription	2,479,263	829,645
Advertisement, publicity and sales promotion expenses	1,223,126	3,065,370
Auditor's Remuneration		
As auditors	1,800,000	1,200,000
Other matters	100,662	87,033
Out of pocket expenses	126,538	26,002
Electricity charges	546,536	2,235,210
Amortised loan origination cost	39,027,497	
(Refer note C19 of Schedule 16)		
Conference expenses	-	219,351
Directors sitting fees	1,069,000	940,000
Loan servicing costs	36,039,026	-
Foreign exchange losses (net)	-	5,312,868
Software license fees	-	532,501
Loss on sale of assets (net)	2,221	-
Bad debts written off (net of recovery)	7,437,441	-
Provision for diminution in investments	247,938,400	-
(Refer Note C16 of Schedule 16)		
Provision for standard assets	60,001,000	-
Provision for doubtful debts and advances	4,560,360	-
Miscellaneous expenses	6,687,655	4,747,819
Total	**583,334,498**	**120,494,960**
Schedule 15 : Finance Charges		
(Refer note A2 of Schedule 16)		
Amortisation of discount on issue of commercial paper	376,712,690	28,738,278
Interest paid to banks	278,758,384	56,112,361
(Includes interest on fixed loans ₹ 159,811,817; Previous period : ₹ 48,830,125)		
Interest paid on debentures	284,502,946	-
Interest paid to others	30,831,323	76,981
Bank charges and loan processing fees	84,874,140	2,721,582
Total	**1,055,679,483**	**87,649,202**

SCHEDULE 16 NOTES TO ACCOUNTS

A. NATURE OF OPERATIONS

1. Future Capital Holdings Limited (the 'Company') is a Non Banking Financial Company. The Company was incorporated on October 18, 2005 and has received a Certificate of Registration from the Reserve Bank of India ('RBI') on April 10, 2006 to commence / carry on the business of Non-Banking Financial Institution without accepting public deposits.

2. Scheme of Arrangement and Amalgamation

The Board of Directors at its meeting held on November 2, 2010, approved a Scheme of Arrangement between Future Capital Financial Services Limited (FCFSL), Future Capital Holdings Limited (FCH) and their respective shareholders (Scheme), *inter-alia* in terms of which FCFSL has merged with FCH, under the provisions of Section 391 to 394, read with Sections 78,100 to 103 of the Companies Act, 1956. The Appointed Date under the Scheme is March 1, 2011. The Scheme has been approved by the Shareholders of the Company and by the Hon'ble High Court of Judicature at Bombay vide its order dated June 17, 2011. The Company has filed the court order approving the Scheme with the Registrar of Companies ('ROC') on June 29, 2011, Mumbai as required under Section 391 of the Companies Act. The said scheme became effective from June 29, 2011 but operative with retrospective effect from March 1, 2011, the appointed date. Pursuant to the Scheme:

a) FCFSL has been amalgamated with FCH under the pooling of interest method;

b) Since FCFSL is a wholly owned subsidiary of the Company, no consideration has been paid against the net assets acquired.

c) Pending the scheme becoming effective FCFSL has, in trust, carried on the business from March 1, 2011 to March 31, 2011.

The details of the assets and liabilities acquired from FCFSL as at March 1, 2011 is as follows:

Particulars	Amount
Fixed Assets (Net block)	24,295,536
Current assets, loans and advances	
Sundry debtors	42,992,623
Cash and bank balances	112,479,299
Other current assets	293,077,744
Loans and advances	7,797,634,381
(A)	**8,246,184,047**
Less: Current liabilities and provisions	
Current liabilities	1,088,975,583
Provisions	439,842,520
(B)	**1,528,818,103**
Net current assets (A-B)	6,717,365,944
Debit balance in Profit and loss account	333,684,330
Total Assets	**7,075,345,810**
Loan funds	5,856,820,873
Reserve under Section 45 (1C) of the RBI Act	57,584,694
Total Liabilities	**5,914,405,567**
Net assets acquired	1,160,940,243
Less: Investment value as per FCH books	2,158,303,208
Amounts adjusted against Securities Premium as per the Scheme	(997,362,965)

The accounting treatment as prescribed under the scheme in respect of the difference between the investment value of FCFSL in the books of FCH and the net assets acquired from FCFSL is adjusted in the Securities Premium of FCH.

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

B. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standard by Companies Accounting Standards Rules, 2006 and the accounting of the effects for the Scheme has been done in accordance with the terms of the Scheme as approved by the High Court and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements have been prepared under the historical cost convention on an accrual basis, except for dividend from mutual fund units recognised on receipt basis and valuation of unquoted units of mutual funds at net asset value, which is in accordance with Non-Banking Financial (Non-deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Direction 2007 ('NBFC Regulation'). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2. Use of estimates

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

3. Fixed assets and Depreciation

Tangible Assets

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

Leasehold improvements are depreciated on straight line basis over shorter of useful lives or primary period of lease agreements of 5 years.

Intangible Assets

Intangible assets include domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives of 5 years.

Depreciation

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

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

Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at the pre tax discount rate reflecting current market assessment of time value of money and risks specific to asset.

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

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

4. Revenue recognition

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

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Interest income

Interest income is recognised on the time proportionate basis.

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

Interest income on retail loans

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

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

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

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

Income on discounted instruments

Income on discounted instruments is recognised over the tenor of the instrument on straight line basis.

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

Upfront fees on loans

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

Processing fees, Subvention income (net of service tax)on retail loans

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

Fees and commission income

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

Income from Assignment of loans and receivables

In case of assignment of loans the loans are derecognized as all the rights, title, future receivable and interest thereof are assigned to the purchaser. On derecognition, the difference between the book value of loans assigned and the consideration received as reduced by the estimated provision for loss/ expenses and incidental expense related to the transaction is recognized as gain or loss arising on assignment.

Income on retained interest in the assigned asset, if any, is accounted on accrual basis.

Dividend income

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

Profit/Loss on sale of investments

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

Advisory fees

Revenue from investment advisory services are recognised on pro-rata basis over the period of contract as and when services are rendered or in accordance with the arrangements entered into with the parties receiving such investment advisory services.

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

5. Investments

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

Unquoted investments in units of mutual funds are stated at net asset value.

6. Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

7. Retirement and other employee benefits

(i) The Company's employee benefits cover provident fund, gratuity and leave encashment.

(ii) Provident fund is a defined contribution scheme and the Company has no further obligation beyond the contributions made to provident fund authorities. Contributions are charged to the profit and loss account in the year in which they accrue.

(iii) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the financial year. The gratuity liability and the net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. All actuarial gains/losses are immediately charged to the profit and loss account and are not deferred.

(iv) The Company has provided for leave encashment liability at year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

8. Borrowing costs

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

9. Segment Reporting Policies

Identification of segments

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

Allocation of common costs

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

Unallocated items

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

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

10. Leases

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

11. Earnings per share

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

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

12. Income taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Company has unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

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

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

13. Provisions

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

14. Provision for doubtful assets

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

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Consumption Loans and Personal Loans	
90 days overdue	10% provision
120 days overdue	33% provision cumulative
150 days overdue	66% provision cumulative
180 days overdue	100% write off
Loss Assets	100% write off
Loan against property	
90 days overdue	10% provision
180 days overdue	33% provision cumulative
360 days overdue	66% provision cumulative
720 days overdue	100% write off
Loss Assets	100% write off

Provision in respect of other non performing assets is made in accordance with the NBFC Regulations.

15. Cash collateral

Cash collateral received on loan portfolio buyout is utilised towards any shortfall in monthly receipt of EMI. The Company is secured from provisioning requirements to the extent of cash collateral balance lying with the Company.

16. Loan origination cost

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

17. Commercial Papers

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

18. Employee Stock Option Scheme ('ESOS')

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of the Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

C NOTES ON ACCOUNTS

1. Contingent liabilities and commitments

a. Contingent Liabilities not provided for in respect of:

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
Guarantees given by the Company on behalf of a subsidiary company	Nil	6,730,224,621
Income-tax matters under dispute	8,199,480	4,520,786

b. Capital commitments:

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
Estimated amount of contracts remaining to be executed on capital account and not provided for	52,409,014	Nil

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

The Company did not have any transactions with Small, Micro and Medium Enterprises as defined under "Micro, Small and Medium Enterprises Development Act, 2006" and hence there are no amounts due to such undertakings. The identification of units is based on the management's knowledge of their status.

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

3. Post-employment benefit plans:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses.

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

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

A. Change in Present Value of Obligation

(Amount in ₹)

Particulars	Gratuity (Unfunded)	
	For the year ended March 31, 2011	**For the year ended March 31, 2010**
Present Value of the Obligation as at the beginning of the year	1,151,698	3,344,130
Less: Transferred pursuant to the Scheme of demerger	-	792,528
Add: Transferred pursuant to the Scheme of Merger (Refer Note A2 of Schedule 16)	2,670,872	-
Interest Cost	109,776	178,612
Current Service Cost	1,746,942	535,854
Benefit Paid	(649,918)	(256,607)
Actuarial (gain)/ loss on obligations	(641,113)	(1,857,763)
Present Value of the Obligation as at the end of the year	4,388,257	1,151,698

B. Amount recognised in the Profit and Loss Account

(Amount in ₹)

Particulars	Gratuity (Unfunded)	
	For the year ended March 31, 2011	**For the year ended March 31, 2010**
Interest Cost	109,776	178,612
Current Service Cost	1,746,942	535,854
Actuarial (gain)/ loss on obligations	(641,113)	(1,857,763)
Total expense/ (income) recognised in the Profit and Loss Account	1,215,605	(1,143,297)

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

Assumptions	Gratuity (Unfunded)	
	March 31, 2011	**March 31, 2010**
Discount rate	8%	7%
Increase in compensation cost	5%	5%
Employee turnover	2%	2%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. There are no material experience adjustment during the year.

Since the Company has not funded its gratuity liability there are no returns on the planned assets and hence the details related to changes in fair value of assets have not been given.

4. Employee Stock Option Scheme ('ESOS')

ESOS 2007

Pursuant to ESOS 2007 the Company had granted options in respect of 1,000,000 equity shares to the eligible employees at an exercise price of ₹ 178. The original vesting period for the options was modified from three years ending in October/November 2010 to December 15, 2009 by the remuneration committee vide its meeting held on December 11, 2009.

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

During the year, the Company has granted 344,000 options to the eligible employee at an exercise price of ₹ 257.35. Options will vest after the expiry of 3 years from the date of grant. The same will be exercisable within 4 years from the date of vesting. Details of activity in respect of ESOS 2007 are as follows:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Options outstanding as at the beginning of the year	656,000	698,000
Granted during the year	344,000	-
Forfeited during the year	6,000	-
Lapsed during the year	-	42,000
Exercised/ Allotted during the year	535,000	-
Outstanding as at the end of the year	459,000	656,000
Exercisable at the end of the year	115,000	-
Weighted average remaining contractual life (in years)	4.25	0.66
Weighted average fair value of options granted	₹ 112.11	₹ 9.37

ESOS 2008

Pursuant to ESOS 2008 the Company had granted options in respect of 948,500 equity shares to the eligible employees at an exercise price of ₹ 102. The vesting period for options was modified from three years ending on March 31, 2012 to March 31, 2010 by the remuneration committees vide its meeting held on December 11, 2009.

During the year, the Company has granted 670,000 options to the eligible employee at weighted average exercise price of ₹ 200.71. Options aggregating 200,000 will vest after the expiry of 3 years. Options aggregating 470,000 will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. All the options are exercisable within 4 years from the date of vesting. Details of activity in respect of ESOS 2008 are as follows:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Options outstanding as at the beginning of the year	740,000	948,500
Granted during the year	670,000	-
Forfeited during the year	120,000	-
Lapsed during the year	-	208,500
Exercised/ Allotted during the year	720,500	-
Outstanding as at the end of the year	569,500	740,000
Exercisable at the end of the year	19,500	740,000
Weighted average remaining contractual life (in years)	5.92	4
Weighted average fair value of options granted	₹ 101.69	₹ 63.00

ESOS 2009

The Compensation and Nomination Committee through Resolution passed by circulation dated October 18, 2010 and January 3, 2011 has granted options in respect of 300,000 and 50,000 equity shares to the eligible employees at an exercise price of ₹ 250.85 and ₹ 193 respectively pursuant to ESOS 2009 Scheme. The options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. The same will be exercisable within 4 years from the date of vesting. Details of activity in respect of ESOS 2009 are as follows:

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Particulars	**For the year ended March 31, 2011**	**For the year ended March 31, 2010**
Options outstanding as at the beginning of the year	-	Not applicable
Granted during the year	350,000	Not applicable
Forfeited during the year	-	Not applicable
Lapsed during the year	-	Not applicable
Exercised/ Allotted during the year	-	Not applicable
Outstanding as at the end of the year	350,000	Not applicable
Exercisable at the end of the year	-	Not applicable
Weighted average remaining contractual life (in years)	5.83	Not applicable
Weighted average fair value of options granted	₹ 141.50	Not applicable

The fair value of the stock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	ESOP 2007	ESOP 2008	ESOP 2009
Exercise Price	₹ 257.35	₹ 148.05 for 200,000 stock options;	₹ 250.85 for 300,000 stock options;
		₹ 257.35 for 220,000 stock options	₹ 193 for 50,000 stock options
		₹ 193 for 250,000 stock options	
Historical Volatility	59.10%	59.10%-60.40%	57.17% - 58.88%
Life of the options granted (Vesting and exercise period) in years	Vesting schedule:	Vesting schedule:	Vesting schedule:
	3 years from the date of grant.	Within 3 years from the date of vesting	Vesting schedule:
	Exercise Period:	For 200,000 options – Within 3 years from the date of vesting	20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively
		For 470,000 options -	Exercise Period:
		20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively	Within 4 years from the date of vesting
		Exercise Period:	
		Within 4 years from the date of vesting	
Dividend yield	0.44%	0%-0.44%	0.44%
Average risk-free interest rate	7.64%	7.06% - 7.64%	7.76% - 8.05%

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Proforma Accounting

Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Net Profit after tax as reported	552,608,240	173,179,407
Less: Employee stock compensation cost under fair value method	32,012,813	49,170,457
Total	**520,595,427**	**124,008,950**
Basic earnings per share as reported	8.60	2.73
Proforma Basic earnings per share	8.10	1.95
Diluted earnings per share as reported	8.58	2.70
Proforma Diluted earnings per share	8.08	1.94

5. Segmental Reporting

Pursuant to the Scheme the Company has organized its operations into three major business verticals: Retail Financial Services, Wholesale credit services and Investment Advisory services. A description of the types of products and services provided by each reportable segment is as follows:

Retail Financial Services:

Under the retail financial service category, the Company provides (i) property loans (ii) gold loans and (iii) consumer durable loans (iv) broking and wealth management

Wholesale credit and Treasury:

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

Investment Advisory:

The Company provides investment advisory services to its clients. These investment advisory services include investment analysis, research and investment recommendations.

Geographical Segments :

The Company has identified geographical segments as within India and outside India.

For Segment Information - Refer Annexure 1

6. Related Party Disclosure:

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

Relationship	Name of the Party
Holding Company	Pantaloon Retail (India) Limited
Subsidiaries	Kshitij Investment Advisory Company Limited
	Future Securities and Advisors Limited
	(formerly Ambit Investment Advisory Company Limited)
	Myra Mall Management Company Limited

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

	Future Capital Financial Services Limited
	(upto February 28, 2011 thereafter merged with Future Capital Holdings Limited)
	Future Hospitality Management Limited
	Future Capital Investment Advisors Limited
	Future Finance Limited
	Kshitij Property Solutions Private Limited
	Axon Development Solutions Limited
	Anchor Investment and Trading Private Limited (w.e.f. October 14, 2010)
	Future Capital Home Finance Private Limited (w.e.f. December 23, 2010)
	FCH Centrum Wealth Managers Limited (w.e.f. March 29, 2011)
Joint Ventures	Realterm FCH Logistics Advisors Private Limited (upto December 31, 2009)
	FCH CentrumDirect Limited (upto March 28, 2011)
	FCH Centrum Wealth Managers Limited (upto March 28, 2011)

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

Relationship	**Name of the Party**
Fellow subsidiaries	Home Solutions Retail (India) Limited
	Future Media India Limited
Key Management Personnel	Mr. V. Vaidyanathan Vice Chairman and Managing Director (w.e.f. August 4, 2010)
	Mr. Krishan Kant Rathi, Manager (w.e.f. April 6, 2010 till August 10, 2010)
	Mr. Sameer Sain, Vice Chairman and Managing Director (upto February 5, 2010)
	Mr. Dhanpal Jhaveri, Whole time Director designated as Executive Director (upto April 6, 2010)

Refer Annexure 2 and 2A for the transactions with related parties.

7. **Operating Leases**

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

(Amount in ₹)

Particulars	**For the year ended March 31, 2011**	**For the year ended March 31, 2010**
Lease payments recognized in the profit and loss account	17,862,320	44,185,570

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Details of non-cancellable leases are as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Minimum Lease Payments:		
Not later than one year	38,626,017	Nil
Later than one year but not later than five years	102,057,786	Nil
Later than five years	Nil	Nil

8. **Earnings Per Share ('EPS')**

Basic and diluted EPS has been computed by dividing the net profit after tax for the year attributable to equity shareholders by weighted average number of equity shares outstanding during the year.

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Net profit considered for basic EPS calculation	552,608,240	173,179,407
Weighted average number of equity shares for calculating basic EPS	64,260,148	63,527,984
Nominal value per share	₹ 10	₹ 10
Basic EPS	**8.60**	**2.73**
Net profit considered for diluted EPS calculation	552,608,240	173,179,407
Weighted average number of equity shares used for calculating basic EPS	64,260,148	63,527,984
Add : Weighted average number of equity shares under options	142,807	554,251
Weighted average number of equity shares in calculating diluted EPS	64,402,955	64,082,235
Nominal value per share	₹ 10	₹ 10
Diluted EPS	**8.58**	**2.70**

9. **Deferred Tax Liabilities/ Assets**

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Deferred Tax Liability		
On depreciation	-	2,165,923
Sub-Total	**-**	**2,165,923**
Deferred Tax Asset		
On depreciation	25,514,765	-
On provision for gratuity and leave encashment	2,358,137	437,895
On provision for standard assets	24,616,352	-
Sub-Total	**52,489,254**	**437,895**
Deferred tax (assets)/ liabilities (net)	**(52,489,254)**	**1,728,028**

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

10. Joint Venture Disclosures:

i) Jointly Controlled Entity by the Company:

(Amount in ₹)

Name of the Entity	Country of incorporation	% Holding	
		March 31, 2011	March 31, 2010
Realterm FCH Logistics Advisors Private Limited	India	-	50%
FCH CentrumDirect Limited*	India	-	50%
FCH Centrum Wealth Managers Limited*	India	-	50%

* Refer note below

ii) Company's share of in the Assets, Liabilities, Income and Expenses with respect to jointly controlled entities are as follows:

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Assets	-	997,697,863
Liabilities	-	308,720,667
Revenue	37,228,200	226,403,392
Depreciation/ amortization	6,173,269	15,407,076
Other expenses	113,140,918	271,082,606
Profit/ (Loss) before tax	(82,085,986)	(60,086,290)
Capital Commitments	-	-
Contingent Liabilities	-	-

Note: The figures for the year ended March 31, 2011 are in respect of joint venture with FCH Centrum Wealth Managers Limited ('FCWML'). FCWML was joint venture upto March 28, 2011 thereafter it became a wholly owned subsidiary of the Company. Hence disclosure in respect of assets and liabilities is not applicable as per Accounting Standard (AS-27) issued by ICAI.

11. During the year, the Company has sold its 50% stake in joint venture FCH CentrumDirect Limited to Centrum Capital Limited vide Share Purchase Agreement dated March 28, 2011 for a consideration of ₹ 1,000,000,000. The profit on sale of shares aggregating ₹ 250,136,882 has been shown under other income.

The Company acquired additional 50% stake in FCH Centrum Wealth Managers Limited ('FCWML') from Centrum Capital Limited for a consideration of ₹ 10,000,000 vides Share Purchase Agreement dated March 28, 2011. Consequently, FCWML has become a wholly owned subsidiary of the Company. FCWML is in the business of retail broking and distribution of mutual funds, insurance and other financial products.

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

12. Included in Loans and Advances are:

Loans and advances granted to companies under same management pursuant to Section 370(1B) of the Companies Act, 1956, associates and companies in which directors are interested pursuant to and Clause 32 is as under:

(Amount in ₹)

Particulars	March 31, 2011	March 31, 2010
Due from subsidiaries		
Ambit Investment Advisory Company Limited (Maximum amount outstanding during the year ₹ 78,775 (Previous year ₹ 83,102,959)]	-	26,700,000
Myra Mall Management Company Limited (Maximum amount outstanding during the year ₹ 26,141,777 (Previous year ₹ 635,022,583)]	-	38,600,000
Kshitij Investment Advisory Company Limited (Maximum amount outstanding during the year ₹ 20,851,928 (Previous year ₹ 2,265,081)]	-	72,876
Future Capital Investment Advisors Limited (Maximum amount outstanding during the year ₹ 710,548 (Previous year ₹ 5,405,516)]		130,992
Future Finance Limited (Maximum amount outstanding during the year ₹ 1,285,709 (Previous year ₹ 1,196,509)]	-	-
Future Capital Financial Services Limited (Maximum amount outstanding during the year ₹ 330,000,000 (Previous year ₹ 330,000,000)]	-	-
Kshitij Property Solutions Private Limited (Maximum amount outstanding during the year ₹ 6,245 (Previous year ₹ 101,590)]	-	-
Future Capital Home Finance Private Limited (Maximum amount outstanding during the year ₹ 808,300 (Previous year ₹ Nil)]	808,300	-
Due from companies under same management		
Future Generali India Insurance Company Limited (Maximum amount outstanding during the year ₹ 1,042,436 (Previous year ₹ 500,000)]	100,848	500,000
Home Solutions Retail (India) Limited (Maximum amount outstanding during the year ₹ 258,914,088 (Previous year ₹ 257,268,991)]	-	80,000,000
Due from officers of the Company		
(Maximum amount outstanding during the year ₹ 10,000,0000 (Previous year ₹ 1,500,000)]	10,000,000	-

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

13. Foreign Currency

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Earnings in foreign currency (Accrual basis)		
Investment advisory fees	Nil	130,297,150
Expenditure in foreign currency (Accrual basis)		
Travelling	210,391	1,971,216
Conference and seminar	Nil	185,214

14. Amounts remitted in foreign currencies for dividend

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Number of shareholders	3	Nil
Number of shares held	940,016	Nil
Dividend remitted	940,016	Nil
Year related	FY 2009-10	Not applicable

15. The Company sells loans through direct assignments. The information on direct assignment activity of the Company as an Originator is as given below:

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
No. of loan assets assigned	765	-
Book value of loan assets directly assigned	4,594,280,376	-
Sale consideration received	4,861,722,195	-
Gain on account of direct assignment (net)	147,570,316	-
Outstanding credit enhancement – Fixed Deposit	298,635,000	-

16. Provision for diminution in investments

The Company has made provision for diminution in investments aggregating ₹ 247,938,400 in respect of:

a) FCH Centrum Wealth Managers Limited ('FCWML') ₹ 239,698,400. The Company had carried out an external valuation for FCH Centrum Wealth Managers Limited ('FCWML') valuing FCWML at ₹ 20,000,000. Based on the valuation, the excess of carrying cost of investments over its fair value has been provided for.

b) Ambit Investment Advisory Company Limited ₹ 7,240,000 due to erosion in its net worth

c) Axon Development Solutions Limited ₹ 500,000 due to erosion in its net worth

d) Future Hospitality Management Limited ₹ 500,000 due to erosion in its net worth

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

17. Managerial Remuneration:

Particulars of remuneration and other benefits provided to Directors

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Salaries and Allowances	22,194,328	12,209,416
Contribution to provident and other funds	2,000,000	375,000
Perquisites	3,333,333	10,212,251
Total	**27,527,661**	**22,796,667**

Note:

a. Remuneration paid to the Managing Director exceeds the limit prescribed under Schedule XIII to the Companies Act, 1956 for which the Company has received approval from the Central Government.

b. Costs pertaining to group medical and group life insurance cover and contribution towards benefit in respect of gratuity are being funded on an overall Company basis and accordingly have not been considered in the above information.

18. Computation of Net Profit in accordance with Section 305(9) of the Companies Act, 1956

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Profit before tax as per Profit & Loss Account	**751,890,958**	**Not applicable**
Add:		
Depreciation/ amortisation charged in accounts	5,647,270	Not applicable
Director's remuneration	25,527,661	Not applicable
Provision for diminution in investments	247,938,400	Not applicable
Provision for standard assets	60,001,000	Not applicable
Provision for doubtful debts and advances (net)	4,560,360	Not applicable
Loss on sale of fixed assets (net)	2,221	Not applicable
Sub-Total	**343,676,912**	
Less:		
Depreciation/ amortisation under Section 350 of the Companies Act	5,647,270	Not applicable
Profit on sale of investments (net)	287,748,274	Not applicable
Sub-Total	**293,395,544**	
Total	**802,172,326**	Not applicable
Commission payable to non whole time Directors @ 1% of profit restricted to (based on consolidated profit)	2,417,446	Nil

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

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

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Total loan origination cost deferred	62,919,142	Nil
Cost amortised and charged to profit and loss account during the year	34,957,897	Nil
Unamortised cost shown into balance sheet	47,350,183	Nil

(Amount in ₹)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Total unamortised income from processing fees/ subvention income	68,297,554	Nil
Income amortised and credited to profit and loss account during the year	36,607,952	Nil
Unamortised processing fees/ subvention income shown into balance sheet	48,759,194	Nil

20. In the previous year, pursuant to the composite Scheme of Amalgamation & Arrangement (the 'Scheme'), as approved by the Hon'ble High Court of Mumbai, involving Future Capital Holdings Limited ('FCH'), Future Capital Financial Services Limited (FCFSL) and Future Capital Credit Limited (FCCL), in terms of which Credit Business Division of the Company was de-merged and vested with FCFSL. The Scheme also provided for the Amalgamation of FCC into FCFSL. The said scheme became effective from February 1, 2010 but operative with retrospective effect from April 1, 2009, the Appointed date.

21. In the previous year, the Board of Directors at their meeting held on December 11, 2009, approved the realignment of the investment advisory activities of the Company. The Company had entered into appropriate agreements with Everstone Investment Advisors Private Limited ('EIAPL'), to realign its investment advisory activities with a view to having a focused and dedicated approach to the investment advisory business.

22. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of part II of the Schedule VI to the Companies Act, 1956 have been given to the extent applicable and necessary.

23. Additional information as per guidelines issued by the Reserve Bank of India is respect of Non-Banking Financial (Non-deposit accepting or holding) Systemically Important (NBFC-ND-SI) is given in Annexure 3.

24. Pursuant to the Scheme of Arrangement and Amalgamation referred in note A2 above, figures for the current year are not strictly comparable with that of the previous year. Prior period figures have been reclassified/ regrouped to confirm with the current period's presentation, wherever applicable.

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman &
Managing Director

Ashok Shinkar
Head-Corporate Center &
Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Additional Information pursuant to Part IV of Schedule VI to the Act
Balance Sheet Abstract and Company General Business Profile

I REGISTRATION DETAILS

Registration No.	11-15679 5	State Code	11
Balance Sheet Date	31 (Date) 03 (Month) 2011 (Year)		

II CAPITAL RAISED DURING THE YEAR (Amt. in ₹ Thousands)

Public Issue	NIL	Right Issue : .	NIL
Bonus Issue	NIL	Private Placement :	605055

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amt. in ₹ Thousands)

Total Liabilities (including shareholder's funds)	35746805	Total Assets	35746805
Sources of Funds			
Paid up Capital	647835	Reserve & Surplus*	6758951
		* includes Share Warrants ₹ 592,500	
Secured Loans	19619747	Unsecured Loans	6009976
APPLICATION OF FUNDS			
Net Fixed Assets	74704	Investments	2846493
Net Current Assets	+ ✓ - 30062823	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax	52489

IV PERFORMANCE OF COMPANY (Amt. in ₹ Thousands)

Turnover (including other income)	2637281	Total Expenditure	1885390
Profit / Loss Before Tax	+ ✓ - 751891	Profit / Loss After Tax	+ ✓ - 552608
Earning Per Share in ₹	+ ✓ - 8.60	Dividend Rate %	15

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary TERMS)

Item Code No. (ITC Code)	Product Description
Not Applicable	Non Banking Financial Company

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman & Managing Director

Ashok Shinkar
Head-Corporate Center & Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place: Mumbai
Date : June 30, 2011

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Annexure 1 to Note C5 of Schedule 16 of Notes to Accounts

Information about segment

Amount in ₹

Particulars	Investment Advisory		Wholesale Credit and Treasury		Retail Financial Services		Unallocated		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
I. Primary Segment-Business										
Revenue										
Income from external operations	-	130,797,150	1,938,483,221	422,056,445	446,879,265	-	251,918,986	5,052,990	2,637,281,472	557,906,585
Inter segment revenue	-	-	-	-	-	-	-	-	-	-
Total	**-**	**130,797,150**	**1,938,483,221**	**422,056,445**	**446,879,265**	**-**	**251,918,986**	**5,052,990**	**2,637,281,472**	**557,906,585**
Segment result	**-**	**29,777,176**	**789,731,113**	**226,044,991**	**60,225,750**	**-**	**251,918,986**	**5,052,990**	**1,101,875,849**	**260,875,157**
Unallocated corporate expenses							(349,984,891)	(52,874,918)	(349,984,891)	(52,874,918)
Income taxes (Current tax and deferred tax)							(199,282,718)	(34,820,832)	(199,282,718)	(34,820,832)
Net Profit after tax									**552,608,240**	**173,179,407**
Other Information										
Segment assets	-	55,865,332	24,237,340,337	8,640,037,063	10,757,989,574	-	-	-	34,995,329,911	8,695,902,395
Other unallocated assets	-	-	-	-	-	-	751,474,624	3,572,090,947	751,474,624	3,572,090,947
Total Assets	**-**	**55,865,332**	**24,237,340,337**	**8,640,037,063**	**10,757,989,574**	**-**	**751,474,624**	**3,572,090,947**	**35,746,804,535**	**12,267,993,342**
Segment liabilities	-	-	19,606,791,598	4,656,937,059	8,733,227,084	-	-	-	28,340,018,682	4,656,937,059
Other unallocated liabilities	-	-	-	-	-	-	-	76,052,593	-	76,052,593
Total Liabilities	**-**	**-**	**19,606,791,598**	**4,656,937,059**	**8,733,227,084**	**-**	**-**	**76,052,593**	**28,340,018,682**	**4,732,989,652**
Capital Expenditure	-	-	1,998,951	318,680	2,797,767	-	-	-	4,796,718	318,680
Depreciation/ amortisation	-	2,432,483	4,555,033	2,432,484	1,092,237	-	-	-	5,647,270	4,864,967
Other non-cash expenses	-	-	59,208,595	-	12,792,427	-	247,938,400	-	319,939,422	-
II. Secondary Segment-Geographical										
Revenue										
Domestic	-	500,000	1,938,483,221	422,056,445	446,879,265	-	251,918,986	5,052,990	2,637,281,472	427,609,435
Exports	-	130,297,150	-	-	-	-	-	-	-	130,297,150
Total	**-**	**130,797,150**	**1,938,483,221**	**422,056,445**	**446,879,265**	**-**	**251,918,986**	**5,052,990**	**2,637,281,472**	**557,906,585**

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Annexure 2 of the Note C6 to the Schedule 16 of Notes to Accounts

Transactions with Related parties

Amount in ₹

Relationship	Holding Company		Subsidiaries		Joint Ventures		Fellow Subsidiaries		Associate Companies		Key Management Personnel	
Year	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**2009-10**
Purchase of goods/services	-	778,340	36,039,026	34,025	-	-	-	-	-	-	-	-
Loans taken	-	250,000,000	-	-	-	-	-	-	-	-	-	-
Deposit repaid	-	-	18,000,000	-	-	-	-	-	-	-	-	-
Loans/ Advances given	-	-	10,000,000	280,270,000	-	2,500,000	420,000,000	560,000,000	-	-	-	-
Loans repayment received	250,000,000	-	26,700,000	1,092,670,000	-	2,500,000	500,000,000	480,000,000	-	-	-	-
Interest received	-	-	21,774,428	53,980,705	-	9,589	14,128,769	44,486,301	-	-	-	-
Interest paid	359,589	71,918	1,887,600	-	-	-	-	-	-	-	-	-
Rent/ Lease rent paid	-	-	14,107,060	33,742,183	-	-	-	-	-	-	-	-
Operating expenses incurred by the Company on behalf of related parties	-	-	12,517,186	88,868,840	19,537	171,015	66,490	-	-	124,199	-	-
Fixed assets purchased	49,500	-	-	-	-	-	-	-	-	-	-	-
Operating expenses incurred by related parties on behalf of the Company	-	-	105,567	1,654,532	11,584	-	27,482	-	-	-	-	-
Investments made	-	-	260,000,000	330,000,000	-	-	-	-				
Directors Remuneration	-	-	-	-	-	-	-	-	-		27,527,661	22,796,667
Net assets transferred pursuant to the Scheme of demerger	-	-	-	1,629,972,781	-	-	-					
Closing Balances : Receivable / (Payable)												
Inter corporate deposits granted/ (taken)	-	(250,000,000)	(330,000,000)	26,700,000	260,000,000	-	-	80,000,000	-	-	-	-
Security Deposits	-	-	16,000,000	34,000,000	-	-	-	-	-	-	-	-
Advances recoverable in cash or kind/ Sundry creditors (net)	(6,267,633)	(5,673,783)	6,245	(168,767,295)	-	-	-	-	-	(3,660)	-	-

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Annexure 2A of the Note C6 to the Schedule 16 of Notes to Accounts

Transactions with Related parties

Disclosures of Related party transactions more than 10%

Amount in ₹

Name of the Party	For the year ended March 31, 2011	For the year ended March 31, 2010
Purchase of Goods/services		
Pantaloon Retail (India) Limited	-	778,340
Future Capital Financial Services Limited	36,039,026	-
Deposit repaid		
Myra Mall Management Company Limited	18,000,000	-
Purchase of loans		
Future Capital Financial Services Limited	5,695,766,399	-
Loans/ Advances Given		
Future Capital Financial Services Limited	-	197,770,000
Home Solutions Retail (India) Limited	-	410,000,000
FCH Centrum Wealth Managers Limited	10,000,000	-
Loan Repaid		
Future Capital Financial Services Limited	-	435,470,000
Myra Mall Management Company Limited	-	600,000,000
Home Solutions Retail (India) Limited	-	330,000,000
FCH Securities & Advisors Limited	26,700,000	-
Pantaloon Retail (India) Limited	250,000,000	-
Inter corporate deposits		
Pantaloon Retail (India) Limited	-	250,000,000
Interest received		
Myra Mall Management Company Limited	-	18,377,704
FCH Securities & Advisors Limited	3,656,072	-
Future Capital Financial Services Limited	18,118,356	31,844,059
Home Solutions Retail (India) Limited	-	26,486,301
Interest paid		
Pantaloon Retail (India) Limited	359,589	71,918
Future Capital Financial Services Limited	1,887,600	-
Rent/ Lease Rent Paid		
Myra Mall Management Company Limited	-	27,373,743
Future Finance Limited	1,127,866	6,368,440
Kshitij Investment Advisory Company Limited	12,979,194	-

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Amount in ₹

Name of the Party	For the year ended March 31, 2011	For the year ended March 31, 2010
Operating expenses incurred by the Company on behalf of related parties		
Future Capital Financial Services Limited	11,143,578	77,058,215
Future Finance Limited	1,224,258	-
Operating expenses incurred by related parties on behalf of the Company		
Future Capital Financial Services Limited	33,487	-
Future Capital Investments Advisors Limited	-	1,561,170
Myra Mall Management Company Limited	19,203	-
Future Finance Limited	51,551	-
Future Ventures Limited	27,482	-
Investments made		
FCH Centrum Wealth Managers Limited	260,000,000	-
Future Capital Financial Services Limited	-	330,000,000
Net assets transferred pursuant to the Scheme of demerger		
Future Capital Financial Services Limited	-	1,629,972,781
Managerial Remuneration		
Mr. V. Vaidyanathan	27,527,661	-
Mr. Sameer Sain	-	11,609,611
Mr. Dhanpal Jhaveri	-	11,187,056
Closing Balances:		
Loans/ Inter corporate deposits granted/ (taken)		
Pantaloon Retail (India) Limited	-	(250,000,000)
Home Solutions Retail (India) Limited	-	80,000,000
Home Lightening (India) Limited		
Ambit Investment Advisory Company Limited	-	26,700,000
Security deposits		
Myra Mall Management Company Limited	16,000,000	34,000,000
Advances recoverable in cash or kind/ Sundry creditors (net)		
Future Capital Financial Services Limited	-	(173,571,163)
Pantaloon Retail (India) Limited	(6,267,633)	-

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

[Schedule to the Balance Sheet of a Non Banking Financial Company as required in terms of paragraph 13 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

Amount in ₹

LIABILITIES SIDE				
1	**Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:**		**Amount Outstanding**	**Amount Overdue**
	a.	Debentures (other than falling within the meaning of public deposits)		
		- Secured	5,141,000,000	-
		- Unsecured	-	-
	b.	Deferred Credits	-	-
	c.	Term Loans	9,298,613,458	-
	d.	Inter-corporate loans and borrowings	-	-
	e.	Commercial Paper	6,009,976,371	-
	f.	Public Deposits (Refer note 1 below)	-	-
	g.	Other Loans-Cash credit	5,180,133,534	-
2	**Break up of 1(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):**		**Amount Outstanding**	**Amount Overdue**
	a.	In the form of unsecured debentures	-	-
	b.	In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
	c.	Other public deposits	-	-
ASSET SIDE				
3	**Break up of Loans and Advances including bills receivables [other than those included in (4) below]:**			**Amount Outstanding**
	a.	Secured		26,438,493,963
	b.	Unsecured		1,692,159,192
4	**Break up of Leased Assets and stocks on hire and other assets counting towards AFC activities**			**Amount Outstanding**
	i.	Lease Assets including lease rentals under sundry debtors:		
	a.	Finance Lease		-
	b.	Operating Lease		-
	ii.	Stocks on hire including hire charges under sundry debtors:		
	a.	Assets on hire		-
	b.	Repossessed Assets		-
	iii.	Other Loans counting towards AFC activities:		
	a.	Loans where assets have been repossessed		-
	b.	Loans other than (a) above		-

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

5	**Break up of Investments:**				**Amount**
	Current Investments				
	1.	*Quoted*			
	i.	Shares - Equity			-
		- Preference			-
	ii.	Debentures and Bonds			-
	iii.	Units of mutual funds			-
	iv.	Government Securities			-
	v.	Others			-
	2.	*Unquoted*			-
	i.	Shares - Equity			-
		- Preference			-
	ii.	Debentures and Bonds			-
	iii.	Units of mutual funds			1,574,625,021
	iv.	Government Securities			-
	v.	Others-Pass Through Certificates			2,054,156
	Long Term Investments				-
	1.	*Quoted*			-
	i.	Shares - Equity			-
		- Preference			250,000,000
	ii.	Debentures and Bonds			-
	iii.	Units of mutual funds			-
	iv.	Government Securities			-
	v.	Others			-
	2.	*Unquoted*			
	i.	Shares - Equity			269,814,059
		- Preference			
	ii.	Debentures and Bonds			750,000,000
	iii.	Units of mutual funds			-
	iv.	Government Securities			-
	v.	Others			-
6	**Borrower group-wise classification of all leased assets, stock on hire and loans and advances (Refer note 2 below):**				
	Category		**Amount net of provision**		
			Secured	**Unsecured**	**Total**
	1	Related Parties**			
	a.	Subsidiaries	-	26,814,545	26,814,545
	b.	Companies in the same group	-	101,483,530	101,483,530
	c.	Other than related parties	26,438,493,963	1,563,861,117	28,002,355,080
	Total		**26,438,493,963**	**1,692,159,192**	**28,130,653,155**

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

7	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): (Refer note 3 below)			
	Category		**Market Value/ Break up of fair value or NAV**	**Book Value (Net of Provisions)**
	1	Related Parties**		
	a.	Subsidiaries	871,775,232	519,814,059
	b.	Companies in the same group	-	-
	c.	Other than related parties	2,326,679,177	2,326,679,177
	Total		3,198,454,409	2,846,493,236
	** As per Accounting Standard issued by the Institute of Chartered Accountants of India ('ICAI').			
8	**Other information**			**Amount**
	i.	Gross Non-Performing Assets		
	a.	Related Parties		-
	b.	Other than related parties		70,595,382
	ii.	Net Non-Performing Assets		-
	a.	Related Parties		-
	b.	Other than related parties		-
	iii.	Assets acquired in satisfaction of debt		

Notes:

1 As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

2 Provisioning norms shall be applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

3 All Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India ('ICAI') are applicable including for calculation of investments and other assets as also assets acquired in satisfaction of debts. However, market value in respect of quoted investments and break up/ fair value/ NAV in respect of unquoted invetsments should be disclosed irrespective of whether they are classified as long term or current in category 5 above.

SCHEDULE 16 NOTES TO ACCOUNTS (CONTD.)

Annexure 3 of the Note C23 to the Schedule 16 of Notes to Accounts Schedule to the Balance Sheet of a Non Banking Financial Company

A. Capital to Risk Assets Ratio (CRAR)

Items		Current Period	Previous Period
i)	CRAR (%)	23.47%	28.97%
ii)	CRAR - Tier I capital (%)	23.23%	28.97%
iii)	CRAR - Tier II Capital (%)	0.24%	-
B.	**Exposures to real estate sector, both direct and indirect**		
Items		**Current Period**	**Previous Period**
a)	Direct exposure		
(i)	**Residential Mortgages –** Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹15 lakh may be shown separately)	8,630,475,254	-
(ii)	**Commercial Real Estate –** Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	7,602,869,546	1,243,000,005
(iii)	**Investments in Mortgage Backed Securities (MBS) and other securitised exposures -**		
a.	Residential	-	-
b.	Commercial Real Estate.	-	-
b)	**Indirect Exposure**		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).			

C. Maturity pattern of assets and liabilities

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year
Liabilities					
Borrowings from banks	217,923,438	48,611,111	352,777,778	416,666,667	6,669,154,539
		-	(41,666,667)	(41,666,667)	(844,616,610)
Market borrowings	1,242,186,538	1,336,729,577	781,484,304	1,442,184,854	1,707,665,071
	(250,000,000)	(347,540,316)	(245,615,724)	(1,116,061,643)	(1,414,656,346)
Assets					
Advances *	840,619,137	1,999,488,185	1,001,097,152	1,300,489,012	3,567,295,492
	(275,166,667)	(72,966,667)	(97,366,667)	(2,499,000,003)	(1,149,277,780)
Investments	1,576,679,178	-	-	-	750,000,000
	(1,823,259,122)	-	-	-	-

	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities				
Borrowings from banks	5,118,055,551	955,283,935	200,000,000	13,978,473,019
	(124,999,998)	-	-	(1,052,949,942)
Market borrowings	1,561,000,000	3,580,000,000	-	11,651,250,344
	(-)	(-)	(-)	(3,373,874,029)
Assets				
Advances *	11,420,460,702	1,633,320,464	6,357,903,012	28,120,673,156
	(1,919,755,554)	-	-	(6,013,533,338)
Investments	-	-	519,814,058	2,846,493,236
	-	-	(3,765,044,186)	(5,588,303,308)

* Represents interest bearing loans and inter corporate deposits.

Figures in bracket relate to previous year.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of Future Capital Holding Limited

We have audited the attached consolidated balance sheet of Future Capital Holdings Limited and its subsidiaries (Collectively referred as 'Group'), as at March 31, 2011, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, AS 27, Financial Reporting of Interests in Joint Ventures, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended),

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements, read together with Note 2 of Schedule – 17, give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2011;

(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

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

Per Hemal Shah
Partner
Membership No.: 42650

Mumbai
Date : June 30, 2011

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

Amount in ₹

	Schedules	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	647,834,840	635,279,840
Share Warrants	1A	592,500,000	-
Reserves and surplus	2	6,587,970,028	6,742,148,724
		7,828,304,868	**7,377,428,564**
Loan funds	3		
Secured loans		20,223,566,268	6,434,819,782
Unsecured loans		6,014,676,371	5,319,376,430
		26,238,242,639	**11,754,196,212**
Total		**34,066,547,507**	**19,131,624,776**
APPLICATION OF FUNDS			
Goodwill on consolidation (Refer note 5 and B1 of Schedule 18)		86,723,243	85,403,976
Fixed Assets	4		
Gross block		1,084,307,823	1,028,873,260
Less: Accumulated depreciation/amortisation		274,925,240	221,655,150
Net block		**809,382,583**	**807,218,110**
Capital work-in-progress (including capital advances)		21,687,600	2,077,158
		831,070,183	**809,295,268**
Investments	5	**2,600,575,341**	**3,091,881,560**
Deferred tax assets (net) (Refer note B11 of Schedule 18)		**60,473,072**	**92,723,846**
Current assets, loans and advances			
Interest accrued on investments		2,311,646	-
Sundry debtors	6	166,076,338	397,721,480
Cash and bank balances	7	3,792,929,772	283,999,387
Other current assets	8	285,537,932	90,267,731
Loans and advances	9	28,569,112,808	14,961,956,732
(A)		**32,815,968,496**	**15,733,945,330**
Less: Current liabilities and provisions	10		
Current liabilities		2,100,311,460	1,070,019,791
Provisions		587,672,474	80,036,002
(B)		**2,687,983,934**	**1,150,055,793**
Net current assets (A-B)		**30,127,984,562**	**14,583,889,537**
Miscellaeous Expenditure (to the extent not written off)	11	646,400	-
Profit and Loss Account	12	**359,074,706**	**468,430,589**
Total		**34,066,547,507**	**19,131,624,776**
Notes to Accounts	18		

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

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman & Managing Director

Ashok Shinkar
Head-Corporate Center & Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

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

Amount in ₹

	Schedules	For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME			
Income from operations	13	3,728,196,918	2,363,683,344
Other income	14	286,944,849	152,813,064
Total		**4,015,141,767**	**2,516,496,408**
EXPENDITURE			
Personnel expenses	15	481,182,748	542,013,018
Administration and other expenses	16	851,983,168	442,671,735
Financial expenses	17	1,800,839,379	807,533,233
Depreciation/ amortisation	4	42,402,339	122,627,684
Preliminary expenses written off		161,600	-
Total		**3,176,569,234**	**1,914,845,670**
Profit before tax		**838,572,533**	**601,650,738**
Provision for tax:			
- Current tax		258,693,789	91,961,324
Minimum Alternate Tax (MAT)		65,669,216	25,584,860
Less : MAT credit entitlement		(9,250,000)	(27,520,143)
- Deferred tax (net)		32,250,774	(81,030,653)
		347,363,779	**8,995,388**
Profit after tax		**491,208,754**	**592,655,350**
Balance brought forward from Previous year		(182,739,475)	(615,078,988)
Less: Adjustment on account of joint venture/ subsidiary included in consolidation (Refer note B15 of Schedule 18)		(121,641,023)	-
Profit/ (Loss) available for appropriation		**186,828,256**	**(22,423,638)**
Appropriations:			
Transfer to reserve under Section 45 (1C) of the Reserve Bank of India, ('RBI') Act, 1934		119,641,959	85,991,272
Proposed dividend		97,175,226	63,527,984
Dividend tax thereon		15,764,251	10,796,581
Transfer to general reserve		27,630,412	-
Balance carried to consolidated balance sheet		**(73,383,592)**	**(182,739,475)**
Earnings per share: (Refer note B10 of Schedule 18)			
- Basic		7.64	9.33
- Diluted		7.63	9.25
Notes to Accounts	18		

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

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman & Managing Director

Ashok Shinkar
Head-Corporate Center & Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

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

Amount in ₹

			For the year ended March 31, 2011	For the year ended March 31, 2010
A.	**Cash Flow From Operating Activities**			
	Profit/(Loss) before tax		838,572,533	601,650,738
	Adjustments for :			
	Depreciation/ amortisation		42,402,339	122,627,684
	Preliminary expenses written off		161,600	-
	Bad debts		28,546,730	3,403,193
	Provision for doubtful debts		23,233,832	73,727,274
	Provision for standard assets		74,101,000	-
	Loss on sale of fixed assets		1,564,365	18,967,147
	Provision for gratuity and leave encashment		3,358,516	(10,784,890)
	Sundry balances written off		-	1,544,812
	Profit on sale of investments		(250,136,882)	(82,458,141)
	Write back of provision		(20,550,558)	-
	Exchange fluctuation		(874,010)	763,840
			(98,193,068)	**127,790,919**
	Operating Profit Before Working Capital Changes		**740,379,465**	**729,441,657**
	Adjustment for changes in working capital:			
	(Increase)/ Decrease in sundry debtors		232,519,152	(245,845,955)
	(Increase)/ Decrease in other current assets		(197,581,847)	9,523,755
	(Increase)/ Decrease in loans and advances		(14,178,082,414	(9,951,588,149)
	Increase/ (Decrease) in current liabilities		1,442,184,092	243,196,924
	Cash generated from operations		**(11,960,581,552)**	**(9,215,271,768)**
	Preliminary expenses incurred		(808,000)	-
	Taxes Paid/ tax deducted at source (including fringe benefit tax)		(319,580,318)	(47,837,381)
	Net Cash used in Operating Activities	**(A)**	**(12,280,969,870)**	**(9,263,109,149)**
B.	**Cash Flow From Investing Activities**			
	Purchase of fixed assets (including capital advance)		(67,305,897)	(9,992,679)
	Sale of fixed assets		245,011	12,302,461
	Sale of investments		2,893,136,605	18,923,876,451
	Purchase of investments		(2,358,665,245)	(17,504,874,264)
	Net Cash used in Investing Activities	**(B)**	**467,410,474**	**1,421,311,969**
C.	**Cash Flow from Financing Activities**			
	Proceeds from issue of Equity Share Capital		12,555,000	-
	Proceeds from Securities Premium on issue of Equity Share Capital		156,166,000	-
	Proceeds from issue of Share Warrants		592,500,000	-
	Payment of share issue expenses		(55,645,000)	-
	Payment of dividend		(63,307,806)	-

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011 (CONTD.)

Amount in ₹

		For the year ended March 31, 2011	For the year ended March 31, 2010
Payment of dividend tax		(10,796,581)	-
Proceeds from borrowings		16,775,306,073	11,028,599,048
Repayment of borrowings		(2,291,259,646)	(4,005,890,553)
Net Cash From Financing Activities	**(C)**	**15,115,518,040**	**7,022,708,495**
Net increase in Cash and Cash Equivalents during the year (A+B+C)		3,301,958,644	(819,088,685)
Cash and Cash equivalents at beginning of the year		2,267,085,714	3,086,174,399
Cash and Cash equivalents at the end of the year		**5,569,044,358**	**2,267,085,714**
Cash and Cash equivalents comprises of :		**As at March 31, 2011**	**As at March 31, 2010**
Cash in Hand		16,596,076	5,325,210
Balance with Banks			
- on current account*		3,435,437,075	274,740,932
- on fixed deposit account		338,585,000	200,000
Share in cash and bank balances of joint ventures		-	1,421,624
Short term investments in liquid schemes of mutual funds		1,778,426,207	1,985,397,948
Total		**5,569,044,358**	**2,267,085,714**

*Excludes balance of Rs. 2,311,621 (Previous year: Rs. 2,311,621) with a bank for which refund instruments have been issued to the investors but yet to be encashed by the investors.

Notes:

Cash and cash equivalents in the balance sheet comprise cash at bank, cash in hand and short term investments with an original maturiy of three months or less.

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman & Managing Director

Ashok Shinkar
Head-Corporate Center & Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 1 : Share Capital		
Authorised		
113,000,000 (Previous year: 75,000,000) equity shares of ₹ 10/- each	1,130,000,000	750,000,000
	1,130,000,000	**750,000,000**
Issued, Subscribed and Paid-up		
64,783,484 (Previous year: 63,527,984) equity shares of ₹ 10/- each fully paid up. [Out of the above, 34,779,999 (Previous year: 34,779,999) equity shares are held by Pantaloon Retail (India) Limited, the Holding Company].	647,834,840	635,279,840
(For stock options outstanding details refer note B5 of Schedule 18)		
Total	**647,834,840**	**635,279,840**
Schedule 1A : Share Warrants		
Share Warrants	592,500,000	-
10,000,000 (Previous year: Nil) partly paid share warrants of ₹ 237/- each to be converted into Equity Shares of ₹ 10/- each at a premium of ₹ 227/-		
Total	**592,500,000**	**-**
Schedule 2 : Reserves and surplus		
Reserve under Section 45 (1C) of the RBI Act, 1934		
Balance as per last balance sheet	124,712,830	38,721,558
Add : Transferred from consolidated profit and loss account	119,641,959	85,991,272
	244,354,789	**124,712,830**
General Reserve		
Transferred from profit and loss account	**27,630,412**	**-**
Securities Premium Account		
Balance as per last balance sheet	6,617,435,894	6,617,435,894
Add : Received during the year	156,166,000	-
Less : Debenture issue expenses	(55,645,000)	-
Less : Amalgamation adjustments (Refer note 2 of Schedule 18)	(401,972,067)	-
	6,315,984,827	**6,617,435,894**
Total	**6,587,970,028**	**6,742,148,724**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 3 : Loan Funds		
Secured Loans		
Cash Credit/ Overdraft from banks	5,783,952,810	1,358,430,897
- Cash credit of ₹ 4,679,832,164 (Previous period: ₹ 511,283,277) is secured by way of first pari passu charge on receivables, book debts and movable assets of the Company.		
- Cash credit of ₹ 500,301,370 (Previous year: ₹ 250,000,000) is secured by way of first charge on receivables, book debts and movable assets of the Company and further secured by collateral of first pari passu charge on immovable property owned by a subsidiary company.		
- Overdraft of ₹ 603,819,276 (Previous year: ₹ 597,147,620) is secured by pledge of mutual fund units. [Includes interest accrued and due ₹ 2,645,605 (Previous year: ₹ 180,000)]. [Repayable on demand ₹ 1,638,037,050 (Previous year: ₹ 1,358,430,897)]"		
Term Loans from banks	8,798,339,485	5,076,388,885
- Term loans of ₹ 124,999,997 (Previous year: ₹ 291,666,665) is secured by first pari passu charge on receivables of the Company and further secured by collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company.		
- Term loans of ₹ 2,500,000,000 (3,500,000,000) is secured by way of first exclusive charge on receivables of the Company and further secured by collateral security of immovable property owned by a subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.		
- Term loan of ₹ 701,388,884 (Previous year 1,284,722,220 is secured by way of hypothecation of underlying assets financed by the Company and receivables on first pari passu basis.		
- Term loan of ₹ 666,666,668 (Previous year: ₹ Nil) is secured by way of first pari passu charge on retail receivables/ book debts of the Company and further secured by way of collateral security of immovable property owned by the subsidiary company and corporate guarantee of the subsidiary company to the extent of the realisable value of the collateral security.		
- Term loan of ₹ 805,283,936 (previous year Nil) is secured by way of first exclusive charge on retail receivables of the company		
- Term loans of ₹ 2,000,000,000 (Previous year: ₹ Nil) is secured by way of first pari passu charge on receivables of the Company.		
- Term loans of ₹ 2,000,000,000 (Previous year: ₹ Nil) is secured by way of first exclusive charge on PSL receivables of the Company.		
[Repayable within one year ₹ 2,525,000,000 (Previous year: ₹ 1,000,000,000)]		
Term Loans from others	500,273,973	-
Term loans of ₹ 500,000,000 (Previous year: ₹ Nil) is secured by way of first exclusive charge on certain retail receivables of the Company.		
"[Includes interest accrued and due ₹ 273,973 (Previous year: ₹ Nil)]. [Repayable within one year ₹ 500,273,973 (Previous year: ₹ Nil)]"		

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 3 : Loan Funds (Contd.)		
Non convertible debentures	5,141,000,000	-
(i) ₹ 1,561,000,000 carries a put and call option after 36 months from the date of allotment;		
(ii) ₹ 1,080,000,000 in three instalments of 30%, 30% and 40% after the expiry of 48, 54 and 60 months respectively from the deemed date of allotment;		
(iii) ₹ 2,500,000,000 after the expiry of 60 months from the date of issue.		
Debentures are secured by first pari passu charge on fixed assets, first exclusive charge on certain receivables of Retail and Corporate loans		
	20,223,566,268	**6,434,819,782**
Unsecured loans		
Short term loans		
Commercial Paper	6,009,976,371	5,069,376,430
[Repayable within one year ₹ 6,009,976,371 (Previous year: ₹ 5,069,376,430)] Maximum amount raised at any time during the year ₹ 7,000,000,000 (Previous year: ₹ 5,500,000,000)		
Others		
From other body corporate	4,700,000	250,000,000
[Repayable within one year ₹ 4,700,000 (Previous year: ₹ 250,000,000) Maximum amount outstanding ₹ 264,700,000 (Previous year: ₹ 250,000,000)]		
	6,014,676,371	**5,319,376,430**
Total	**26,238,242,639**	**11,754,196,212**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Schedule 4 : Fixed Assets

Amount in ₹

Description	Gross Block					Depreciation/ amortisation					Net Block	
	"Balance as on April 1, 2010"	Adjustment on account of inclusion/ (exclusion) of subsidiary	Additions during the year	Deletion/ Adjustments during year	Balance as on March 31, 2011	Balance as on April 1, 2010	Adjustment on account of inclusion/ (exclusion) of subsidiary	For the year	Deletion/ Adjustments during year	Balance as on March 31, 2011	Balance as on March 31, 2011	Balance as on March 31, 2010
Intangible Assets												
Domain and Trade Names (Refer Note 1)	1,570,042	-	17,500	-	1,587,542	683,999	-	259,713	-	943,712	643,830	886,043
Data Processing Software	20,548,811	22,536,637	882,500	-	43,967,948	8,549,559	3,874,017	7,126,453	-	19,550,029	24,417,919	11,999,252
Goodwill	-	-	-		-	-	-	-		-	-	
Sub-Total (A)	**22,118,853**	**22,536,637**	**900,000**	**-**	**45,555,490**	**9,233,558**	**3,874,017**	**7,386,166**	**-**	**20,493,741**	**25,061,749**	**12,885,295**
Tangible Assets												
Land	-	-	625,000	-	625,000	-		-	-	-	625,000	-
Building	751,763,459	-	-		751,763,459	41,507,072	-	12,253,744	-	53,760,816	698,002,643	710,256,387
Temporary Structure	-	-	1,818,559	-	1,818,559	-	-	1,818,559	-	1,818,559	-	-
Computers and printers	85,692,838	14,448,345	3,007,512	348,721	102,799,974	60,446,552	4,833,217	9,824,249	148,702	74,955,316	27,844,658	25,246,286
Office equipment	27,443,012	584,721	2,686,751	-	30,714,484	16,696,810	42,031	1,038,341	-	17,777,182	12,937,302	10,746,201
Furniture and fixtures	43,487,253	2,367,503	3,527,751	331,538	49,050,969	21,422,505	274,147	3,278,376	52,890	24,922,138	24,128,831	22,064,748
Electrical installation	6,991,662	-	-	-	6,991,662	1,089,329	-	349,474	-	1,438,803	5,552,859	5,902,333
Air conditioners	9,194,135	1,414,393	10,859	298,007	10,321,380	5,256,819	146,546	371,176	35,482	5,739,059	4,582,321	3,937,316
Leasehold improvements	76,310,395	5,825,148	146,544	2,303,795	79,978,292	64,229,392	3,496,081	5,692,680	1,239,858	72,178,295	7,799,997	12,081,003
Vehicles	2,063,164	874,418	-	-	2,937,582	976,319	187,191	234,788	-	1,398,298	1,539,284	1,086,845
Hard furnishings	274,053	-	-	88,055	185,998	144,771	-	80,450	83,809	141,412	44,586	129,282
Generator set	1,564,974	-	-	-	1,564,974	227,285	-	74,336	-	301,621	1,263,353	1,337,689
Share in fixed assets of joint venture	1,969,462	(1,969,462)	-	-	-	424,738	(424,738)	-	-	-	-	1,544,724
Sub-Total (B)	**1,006,754,407**	**23,545,066**	**11,822,976**	**3,370,116**	**1,038,752,333**	**212,421,592**	**8,554,475**	**35,016,173**	**1,560,741**	**254,431,499**	**784,320,834**	**794,332,815**
Total (A+B)	**1,028,873,260**	**46,081,703**	**12,722,976**	**3,370,116**	**1,084,307,823**	**221,655,150**	**12,428,492**	**42,402,339**	**1,560,741**	**274,925,240**	**809,382,583**	**807,218,110**
Previous Year	1,058,042,918	-	9,992,679	39,162,336	1,028,873,260	108,331,703	-	122,627,684	9,304,238	221,655,150	807,218,110	-

Notes:

1. The Company has applied for registration of trademark and is awaiting the registration.
2. Assets co-owned with other subsidiary includes gross block ₹ 15,357,178 (Previous year: ₹ 15,357,178), accumulated depreciation ₹ 6,546,304 (Previous year: ₹ 4,974,444) and net block ₹ 8,810,874 (Previous year: ₹ 10,382,734).
3. Assets aggregating gross block ₹ 33,246,776 (Previous year: ₹ 32,639,258), accumulated depreciation ₹ 11,810,172 (Previous year: ₹ 8,942,079) and net block ₹ 21,436,604 (Previous year: ₹ 23,697,179) are in the possession and use by Everstone Investment Advisors Private Limited ('EIAPL').
4. During the year, the Company has sold its 50% stake in joint venture FCH Realterm Logistics Advisors Private Limited and hence the assets have been excluded from consolidation.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

		As at March 31, 2011	As at March 31, 2010
Schedule 5 : Investments			
Long term investments (At cost)			
Other than trade (Unquoted)			
Government securities			
GOI 2014 - 10% bonds (Face value of ₹ 100 each fully paid up)	310 (310)	18,900	18,900
	(I)	**18,900**	**18,900**
Other than trade (Quoted)			
Investment in equity shares of ₹ 10 each, fully paid-up, unless otherwise stated			
AllCargo Global Logistics Limited (Face Value of ₹ 2 fully paid up)	(300,000)	-	46,903,194
Other investments (Unquoted)			
Equity shares of Ayati Investment Advisors Private Limited (Face Value ₹ 100 fully paid up)	600,000 (600,000)	60,000,000	60,000,000
Rohan Realty Private Limited	5,377 (-)	1,651,330	-
Rohan Brothers Builders Private Limited	97 (-)	1,849,222	-
Rohan Buildwell Private Limited	156 (-)	2,286,982	-
Rohan Erectors Private Limited.	97 (-)	1,852,452	-
IndoSpace Logistics Parks Private Limited	12,025 (-)	1,656,444	-
Future Warehouse Management Services Private Limited	3,957 (-)	779,648	-
12.50%, Secured redeemable non-convertible debentures of ₹ 10,000,000 fully paid up of Era Housing & Developers (India) Limited	75 (-)	750,000,000	-
	(II)	**820,076,078**	**106,903,194**
	sub-Total A (I+II)	**820,094,978**	**106,903,194**
Current Investments (At lower of cost or net realisable value) (Non-trade) (Unquoted)			
Investments in Mutual funds (face value of ₹ 10 each, fully paid, unless otherwise stated):			
Birla Cash Plus - Instl. Prem. - Daily Dividend -Reinvestment	- (26,131,556)	-	261,825,120
Birla Sunlife Cash Plus Institutional Premium Growth	17,536,671 (-)	275,243,320	-
HDFC Liquid Fund - Premium Plan - Growth	21,855,943 (6,332,883)	429,547,958	116,872,251
HDFC Cash Management Fund-Savings Plan-Daily Dividend Reinvestment	3,520,403 (6,112,871)	71,404,087	65,018,945
HDFC Liquid Premium Plan -Dividend Daily Reinvestment	- (23,686,233)	-	290,388,485
ICICI Prudential Institutional Income Plan Dividend Quarterly- Reinvest Dividend	- (173,872)	-	17,391,012
ICICI Prudential Institutional Liquid Plan - Super Institutional Daily Dividend	- (485,738)	-	48,584,490
ICICI Prudential Institutional Liquid Plan - Super Institutional Growth	703,054 (-)	116,616,221	-
JP Morgan India Liquid Fund - Super Institutional Growth	- (21,020,945)	-	250,037,838
Peerless Liquid Fund - Super Institutional Growth	554,123 (-)	5,700,000	-

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

		As at March 31, 2011	As at March 31, 2010
Schedule 5 : Investments (Contd.)			
Reliance Liquid Plus Fund- Daily Dividend Plan	- (1,195,768)	-	18,280,067
Reliance Liquidity Fund-Dividend Daily Reinvestment	- (11,396,671)	-	114,021,416
Reliance Liquidity Fund-Growth Option	8,538,076 (-)	129,914,621	-
Religare Liquid Fund-Super Institutional Growth	- (19,783,646)	-	250,035,611
SBI Premier Liquid Fund-Super Institutional Growth	- (37,334,070)	-	540,078,401
SBI Ultra Short Term Fund-Institutional Plan Growth	58,586,427 (-)	750,000,000	-
Share in investments of joint ventures	- (2,564,784)	-	12,864,312
	(I)	**1,778,426,207**	**1,985,397,948**
Shares (Unquoted)			
Equity Shares of ₹ 10 each, fully paid-up			
In Joint Ventures with: (Refer Note B13 of Schedule 18)			
FCH Centrum Wealth Managers Limited	- (1,402,800)	-	249,698,400
FCH CentrumDirect Limited	- (2,952,217)	-	749,863,118
	(II)	**-**	**999,561,518**
Other investments (Unquoted)			
Investment in Pass Through Certificates	27 (-)	2,054,156	-
	(III)	**2,054,156**	**-**
	sub-Total B (I+II+III)	**1,780,480,363**	**2,984,959,466**
Total	**(A+B)**	**2,600,575,341**	**3,091,881,560**
Aggregate amount of quoted investments		-	46,903,194
Aggregate amount of unquoted investments		2,600,575,341	3,044,978,366
Aggregate market value of the quoted investments		-	55,785,000
Net Asset Value of units in mutual funds		1,779,766,990	1,985,397,750

Includes 43,187, 927 (Previous year: 65,055,849) units aggregating ₹ 739,735,784 (Previous year: ₹ 755,338,894) pledged against overdraft of ₹ 603,819,276 (Previous year: ₹ 597,147,620) taken by a subsidiary of the Company.

*(figures in bracket relates to Previous year)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 6 : Sundry Debtors		
(Secured considered good)		
Debts outstanding for a period exceeding six months		
-considered good	1,535,024	997,756
-considered doubtful	994,020	110,862
	2,529,044	1,108,618
Less: Provision for doubtful debts	994,020	110,862
	1,535,024	**997,756**
Other debts	2,045,000	2,822,570
(Unsecured considered good)		
Debts outstanding for a period exceeding six months		
-considered good	23,609,001	138,705,972
-considered doubtful	6,118,996	67,524,218
	29,727,997	206,230,190
Less: Provision for doubtful debts	23,947,316	71,919,046
	5,780,681	**134,311,144**
Other debts	156,715,633	259,359,810
Share in debtors of joint ventures	-	230,200
Total	**166,076,338**	**397,721,480**
Schedule 7 : Cash and bank balances		
Cash on hand	16,596,076	5,325,210
Balance with scheduled banks:		
- on current account*	3,437,748,696	277,052,553
- on fixed deposit account	338,585,000	200,000
Share in cash and bank balances of joint ventures	-	1,421,624
* Includes balance of ₹ 2,311,621 (Previous year: ₹ 2,311,621) with a bank for which refund instruments have been issued to the investors but yet to be encashed by the investors.		
Total	**3,792,929,772**	**283,999,387**
Schedule 8 : Other Current Assets		
Interest accrued but not due	232,329,749	72,573,944
Unamortised loan origination cost (Refer note B14 of Schedule 18)	47,350,190	15,894,313
Unbilled subvention income	5,857,993	1,799,474
Total	**285,537,932**	**90,267,731**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

	As at March 31, 2011	As at March 31, 2010
Schedule 9 : Loans and advances		
(Secured considered good)		
Loans to body corporates	17,808,018,709	8,078,498,756
Retail loans		
-Considered Good	8,360,749,983	810,244,145
-Considered Doubtful	79,125,558	58,561,443
	8,385,875,541	868,805,588
- Less : Provision for dobtful retail loans	29,309,356	5,856,144
	8,356,566,185	**862,949,444**
(Unsecured considered good)		
Retail loans		
- Considered Good	1,409,138,845	5,080,518,362
- Considered Doubtful	36,438,165	316,298,955
	1,445,577,010	5,396,817,317
- Less : Provision for dobtful retail loans	14,901,347	243,859,720
	1,430,675,663	**5,152,957,597**
Inter corporate deposits	254,064,242	318,000,000
Advances recoverable in cash or in kind or for value to be received		
-considered good	372,051,203	253,915,174
-considered doubtful	7,151,143	8,423,786
	379,202,346	262,338,960
Less: Provision for doubtful advances	7,151,143	8,423,786
	372,051,203	**253,915,174**
Security Deposits		
- Considered Good	77,714,002	21,738,468
- Considered Doubtful	4,207,587	4,257,682
	81,921,589	25,996,150
Less : Provision for doubtful security deposits	4,207,587	4,257,682
	77,714,002	**21,738,468**
Leased assets	26,590,033	27,265,927
Advances to staff	10,000,000	-
Advance income tax (net of provision for tax)	215,728,058	211,260,184
Fringe Benefit Tax (net of provision for tax)	1,454,713	1,455,273
MAT credit receivable	16,250,000	25,584,860
Share in loans and advances of joint ventures	-	8,331,049
Total	**28,569,112,808**	**14,961,956,732**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

Amount in ₹

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 10 : Current Liabilities and Provisions		
(A) Current Liabilities		
Sundry creditors		
- Due to micro and small enterprises	-	-
- Due other than micro and small enterprises	383,518,110	198,838,774
Overdrawn book balance	811,511,316	43,541,345
Cash Collateral against Retail Loans	387,775,843	712,875,795
Security deposits	21,962,133	56,031,615
Advance from customers	117,132,401	5,216,796
Unamortised processing fees/ subvention income (Refer note B14 of Schedule 18)	50,884,400	25,944,942
Unclaimed dividend	220,178	-
Unpaid share application money *	2,311,621	2,311,621
Interest accrued but not due	241,732,325	64,720
Other liabilities	83,263,133	20,051,615
Share in current liabilities of joint ventures	-	5,142,568
Total	**2,100,311,460**	**1,070,019,791**
* Represents refund instruments issued to the investors but yet to be encashed by the investors. This does not include any amount, due and outstanding, to be credited to Investor Education and Protection Fund.		
(B) Provisions		
For proposed dividend	97,175,226	63,527,984
For dividend tax thereon	15,764,251	10,796,581
For standard assets	74,101,000	-
For credit loss on assignments	123,933,136	-
For foreclosures	267,628,908	-
For gratuity	4,790,013	4,020,242
For leave encashment	4,279,940	1,101,313
Share in provisions of joint ventures	-	589,882
Total	**587,672,474**	**80,036,002**
Schedule 11 : Miscellaneous Expenditure		
Preliminary Expenses	646,400	-
Total	**646,400**	**-**
Schedule 12 : Profit and Loss Account		
Profit and Loss Account		
Balance as per last Balance Sheet	468,430,589	-
Less: Considered in consolidated profit & loss account	(182,739,475)	-
Add/(Less): Loss/ (Profit) carried from consolidated profit & loss account	73,383,592	182,739,475
Add: Amounts charged to reserves pursuant to the Scheme (Refer note B18 of Schedule 18)	-	285,691,114
Total	**359,074,706**	**468,430,589**

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Amount in ₹

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 13 : Income from Operations		
Amenities charge [TDS ₹ 5,458,934 (Previous year: ₹ 258,516)]	43,731,620	30,455,124
Less: Service Tax	4,083,732	4,433,031
Net Revenue from Amenities	**39,647,888**	**26,022,093**
Lease rentals [TDS ₹ 2,972,048 (Previous year: ₹ 1,687,734)]	99,372,411	49,253,266
Less: Service Tax	8,369,937	8,298,235
Net Revenue from lease rentals	**91,002,474**	**40,955,031**
Research and Advisory fees	-	412,383,536
Less: Service Tax	-	9,760,913
Net Revenue from research and advisory fees [TDS ₹ Nil (Previous year: ₹ 10,444,597)]	**-**	**402,622,623**
Mall Management Fees [TDS ₹ 1,377,519 (Previous year: ₹ 984,301)]	11,648,869	8,408,851
Less: Service Tax	1,143,102	788,034
Net Revenue from Mall Management Fees	**10,505,767**	**7,620,817**
Interest on loans and inter corporate deposits [TDS ₹ 161,659,620 (Previous year: ₹ 96,290,218)]	1,663,534,903	600,975,041
Dividend from mutual fund units	33,519,931	23,640,324
Profit on sale of investments	50,983,654	82,458,141
Interest Income on retail loans [(TDS ₹ 686,696 ; (Previous year: ₹ Nil)]	995,872,237	743,377,152
Processing fees and other charges (Refer note B13 of Schedule 18)	97,746,370	27,132,378
Subvention income (Refer note B13 of Schedule 18) [(TDS ₹ 951,909 ; (Previous year: ₹ 2,340,085)]	33,576,407	6,045,523
Upfront fees [TDS ₹ 36,578,236 ; (Previous year: ₹ 12,859,106)]	333,173,714	114,763,010
Interest on fixed deposits	3,506,247	-
Interest on Investments [(TDS ₹ Nil (Previous year: ₹ 1,487,953)]	7,040,822	86,008,848
Amortisation of discount on Pass Through Certificates	-	51,454,261
Bounced Cheque / Foreclosure Charges / Overdue charges	7,134,385	6,272,195
Profit on sale of leased assets	267,520	86,588
Commission, brokerage and fees [TDS ₹ 1,001,572 ; (Previous year: ₹ 3,062,698)]	10,986,547	99,628,314
Income from assignment of loans	298,203,186	-
Management fees	16,792,242	-
Share in income from operations of joint ventures	34,702,624	44,621,005
Total	**3,728,196,918**	**2,363,683,344**
Schedule 14 : Other Income		
Foreign exchange gain (net)	874,010	-
Profit on sale of shares (Refer note B13 of Schedule 18)	250,136,882	-
Sale of rights under realignment agreement (Refer note B17 of Schedule 18)	-	100,000,000
Interest on income tax refund	2,089,482	973,718
Other income (TDS ₹ 4,000 ; Previous year: ₹ 93,804)	10,768,342	50,702,636
Write back of excess provision	20,550,558	-
Share in other income from operations of joint ventures	2,525,575	1,136,710
Total	**286,944,849**	**152,813,064**

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Amount in ₹

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 15 : Personnel expenses		
Salaries, wages and allowances	418,752,876	494,629,150
Contribution to provident fund	11,391,981	15,563,578
Staff welfare	5,087,846	7,343,871
Share in personnel expenses of joint ventures	45,950,045	24,476,419
Total	**481,182,748**	**542,013,018**
Schedule 16 : Administrative and other expenses		
Rent	52,661,608	84,166,681
Rates and Taxes	7,636,256	8,438,726
Insurance charges	1,422,911	1,290,197
Repairs and maintenance - Building	4,697,202	1,501,466
- Others	18,104,955	19,318,875
Business promotion expenses	2,326,810	1,503,263
Advertisement and marketing expenses	5,105,423	6,189,235
Commission and brokerage	20,707,115	242,014
Traveling and conveyance expenses	12,766,134	17,829,654
Communication expenses	15,623,134	13,914,425
Printing and stationery	10,614,970	6,559,665
Legal and professional	118,025,990	83,566,616
Foreign exchange losses (net)	-	6,780,870
Recruitment and training expenses	12,923,416	1,803,080
Membership and subscription	2,479,263	3,098,887
Amortised loan origination cost	114,218,373	12,653,865
Software and computer expenses	3,404,087	6,811,091
Electricity charges	3,353,685	6,750,303
Directors sitting fees	1,193,185	1,060,000
Auditors Remuneration		
- As auditors	3,739,313	3,573,378
- Other certification matters	100,662	87,033
- Out of pocket expenses	188,091	83,393
Bad debts written off (net of recovery)	28,546,730	3,403,193
Provision for doubtful debts and advances	23,233,832	73,727,274
Provision for standard assets	74,101,000	-
Provision for impairment of assets (Refer note B16 of Schedule 18)	220,613,517	-
Loss on sale of fixed assets	1,564,365	18,967,147
Sundry balances written off	-	1,544,812
Miscellaneous expenses	50,590,646	44,493,940
Share in administrative and other expenses of joint ventures	42,040,495	13,312,652
Total	**851,983,168**	**442,671,735**
Schedule 17 : Financial Expenses		
Amortisation of Discount on issue of commercial paper	480,838,495	165,640,557
Interest on loans:		
- Banks and financial institutions	886,754,210	568,802,809
- Debentures	284,502,946	-
- Others	44,485,719	63,694,047
Debenture issue expenses	-	825,000
Bank charges and loan processing fees	99,151,993	8,570,820
Share in financial expenses of joint ventures	5,106,016	-
Total	**1,800,839,379**	**807,533,233**

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

1. The consolidated financial statements of Future Capital Holdings Limited (the 'Company') and its subsidiary companies (hereinafter collectively referred to as (the 'Group') are prepared under the historical cost convention and in accordance with the requirements of the Companies Act, 1956 (the 'Act').

2. **Scheme of Arrangement and Amalgamation ('Scheme')**

   The Board of Directors at its meeting held on November 2, 2010, approved a Scheme of Arrangement between Future Capital Financial Services Limited (FCFSL), Future Capital Holdings Limited (FCH) and their respective shareholders (Scheme), inter-alia in terms of which FCFSL has merged with FCH, under the provisions of Section 391 to 394, read with Sections 78,100 to 103 of the Companies Act, 1956. The Appointed Date under the Scheme is March 1, 2011. The Scheme has been approved by the Shareholders of the Company and by the Hon'ble High Court of Judicature at Bombay vide its order dated June 17, 2011. The Company has filed the court order approving the Scheme with the Registrar of Companies ('ROC') on June 29, 2011, Mumbai as required under section 391 of the Companies Act. The said scheme became effective from June 29, 2011 but operative with retrospective effect from March 1, 2011, the appointed date. Pursuant to the Scheme:

   a) FCFSL has been amalgamated with FCH under the pooling of interest method;

   b) Since FCFSL is a wholly owned subsidiary of the Company, no consideration has been paid against the net assets acquired.

   c) Pending the scheme becoming effective FCFSL has, in trust, carried on the business from March 1, 2011 to March 31, 2011.

   d) Bad debt (net of recovery) and provision for doubtful retail loans amounting to Rs. 401,972,067 is charged against securities premium of the Company.

3. **Basis of preparation**

   The Consolidated Financial Statements ('CFS') are prepared in accordance with Accounting Standard ('AS') 21 "Consolidated Financial Statements", AS-23 "Accounting for Investments in Associates in Consolidated Financial Statements" and AS-27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India (ICAI).

   The financial statements have been prepared to comply in all material respects with the Notified Accounting Standard by Companies Accounting Standards Rules, 2006 and the accounting of the effects for the Scheme has been done in accordance with the terms of the Scheme as approved by the High Court and the relevant provisions of the Companies Act, 1956 ('the Act'). The consolidated financial statements have been prepared under the historical cost convention on an accrual basis except for dividend from mutual fund units and valuation of unquoted units of mutual funds, which is in accordance with Non-Banking Financial (Non-deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Direction 2007 ('NBFC Regulation'). The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

4. **Principles of consolidation**

   a. The financial statements of the Company and its subsidiaries have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealized profits/losses have been fully eliminated.

   b. Interests in joint ventures are accounted for using proportionate consolidation method.

   c. The subsidiary companies and joint ventures considered in the presentation of the consolidated financial statements are:

Particulars	Country of incorporation	Proportion of ownership interest as at March 31, 2011	Proportion of ownership interest as at March 31, 2010	Financial year ends on
a) Subsidiaries :				
Kshitij Investment Advisory Company Limited	India	100%	100%	March 31
Future Capital Investment Advisors Limited	India	100%	100%	March 31
Myra Mall Management Company Limited	India	100%	100%	March 31
Ambit Investment Advisory Company Limited	India	100%	100%	March 31
Future Capital Financial Services Limited	India	-	100%	March 31
Future Hospitality Management Limited	India	100%	100%	March 31
Future Finance Limited	India	100%	100%	March 31
Kshitij Property Solutions Private Limited	India	100%	100%	March 31
Axon Development Solutions Limited	India	100%	100%	March 31

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Particulars	Country of incorporation	Proportion of ownership interest as at March 31, 2011	Proportion of ownership interest as at March 31, 2010	Financial year ends on
Anchor Trading and Investments Private Limited	Mauritius	100%	NA	December 31
Future Capital Home Finance Private Limited	India	100%	NA	March 31
FCH Centrum Wealth Managers Limited	India	100%	NA	March 31
b) Joint ventures:				
Realterm FCH Logistics Advisors Private Limited	India	-	50%	March 31
FCH CentrumDirect Limited [Refer note (b) below]	India	-	50%	June 30
FCH Centrum Wealth Managers Limited [Refer note (c) below]	India	-	50%	March 31

Notes

a) The Company had acquired 50.10% each in FCH CentrumDirect Limited ('FCDL') and FCH Centrum Wealth Managers Limited ('FCWML') respectively on March 12, 2008. Accordingly, these investments were classified as investment in subsidiary companies till December 31, 2009. The Company had sold 0.10% each in FCDL and FCWML FY 2009-10. Consequently the same has been classified as joint ventures of the Company.

b) During the year, the Company has sold its 50% stake in FCDL on March 28, 2011 to Centrum Capital Limited vide Share Purchase Agreement dated March 28, 2011.

c) During the year, the Company acquired additional 50% stake in FCWML from Centrum Capital Limited for a consideration of ₹ 10,000,000 vides Share Purchase Agreement dated March 28, 2011. Consequently FCWML has become a wholly owned subsidiary as at March 31, 2011.

For the purpose of consolidated financial statements, the results of FCH and its subsidiaries for the year ended March 31, 2011 have been derived from the respective company's audited financials of the year ended March 31, 2011.

5. **Goodwill on consolidation**

The excess of cost to the holding company of its investment in subsidiaries over the holding company's portion of equity in the subsidiaries at the respective dates, on which investments in subsidiaries were made, has been recognized in the consolidated financial statements as goodwill/ capital reserve. The holding company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Change in accounting estimates

During the year, the Group has changed its estimates of making provisions in respect of non performing retail loans. Consequent to the change in such estimates, provision for the year is higher by ₹ 45,090,741. The current provision based on revised estimates is higher than the provisioning norms as stipulated by the Reserve Bank of India.

2. Fixed assets and Depreciation

Tangible Assets

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

Leasehold improvements are depreciated on straight line basis over primary period of lease agreements.

Intangible Assets

Intangible assets include domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives ranging from 5-10 years.

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Depreciation

Depreciation is provided using Straight Line Method as per the useful lives of the assets estimated by the management or at the rates prescribed under Schedule XIV of the Companies Act, 1956, which ever is higher.

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

Impairment

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

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

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

3. Borrowing costs

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

4. Foreign currency transactions

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

5. Provisions

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

6. Retirement and other employee benefits

(i) The Group's employee benefits cover provident fund, gratuity and leave encashment.

(ii) Provident fund is a defined contribution scheme and the Group has no further obligation beyond the contributions made to provident fund authorities. Contributions are charged to the profit and loss account in the year in which they accrue.

(iii) Gratuity Liability is a defined benefit obligation and is recorded based on actuarial valuation on projected unit credit method made at the end of the financial year. The gratuity liability and the net periodic gratuity cost is actuarially determined after considering discount rates, expected long term return on plan assets and increase in compensation levels. All actuarial gains/losses are immediately charged to the profit and loss account and are not deferred.

(iv) The Group has provided for leave encashment liability at year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

7. **Leases**

Operating Lease

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

Finance Lease

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

Where the Group is the lessor

Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease rentals are apportioned between principal and interest on the IRR method. The principal amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

8. **Preliminary Expenses**

Preliminary expenses are charged to profit and loss account in the year in which it is incurred.

9. **Investments**

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

10. **Loans granted**

Loans given are stated at agreement values as reduced by instalments received up to the end of the financial year, unmatured finance charges and unmatured insurance charges.

11. **Revenue recognition**

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

Fees and commission income

Fees and commission income is booked as and when they are due. Income from loan acquisition is booked on the basis of total loans sanctioned during the previous year

Income from distribution of products

Income from distribution on various products is accounted on the basis of procurements undertaken during the period with a reasonable estimate towards the trial fees.

Income from other financial and advisory services is accounted on the completion of transaction.

Interest income from retail financial operations

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

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

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

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Income on discounted instruments

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

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

Other interest income

Other interest income is recognized on time proportion basis.

Upfront fees on loans

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

Dividend income

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

Processing fees, Subvention income (net of service tax)

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

Income from brokerage and commission:

The income from Brokerage fees and commission is net of service tax.

Lease Rental and Amenities

Lease rentals are recognized as an income in the profit and loss account on a straight line basis over the primary lease period, net of service tax.

Amenities charges are recognized in accordance with the arrangements entered into with the lessees, net of service tax.

Profit/ Loss on sale of investments

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

Advisory fees

Revenue from research and advisory services are recognised on pro-rata basis over the period of contract as and when services are rendered or in accordance with the arrangements entered into with the parties receiving such research and advisory services.

12. Charge off and provisions policy

After taking into account the time lag between an account becoming non performing, its recognition as such and realization of available security, provisions and write off are made against overdue retail loans. During the year, the Group has changed its policy of providing for overdue retail loans as under:

Particulars	**2010-11**	**2009-10**
Consumption Loans and Personal Loans		
90 days overdue	10% provision	NA
120 days overdue	33% provision cumulative	NA
150 days overdue	66% provision cumulative	NA
180 days overdue	100% write off	33%
360 days overdue	NA	66% cumulative
540 days overdue	NA	100%
Loss Assets	100% write off	100% write off
Loans against Property		
90 days overdue	10% provision	NA

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Particulars	2010-11	2009-10
180 days overdue	33% provision cumulative	10%
360 days overdue	66% provision cumulative	NA
720 days overdue	100% write off	20% cumulative
1080 days overdue	NA	50% cumulative
1800 days overdue	NA	100%
Loss Assets	100% write off	100% write off

Wholesale Loans

Provision in respect of other non performing assets is made in accordance with the NBFC Regulations.

13. Loan origination cost

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

14. Commercial Papers

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

15. Income taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situation where the Group has unabsorbed depreciation and carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

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

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

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

16. Earnings per share

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

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

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

17. **Employee Stock Option Scheme ('ESOS') / Employee Share Purchase Scheme ('ESPS')**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India ('ICAI'). The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

18. **Segment Reporting Policies**

Identification of segments

The Group has organized its operations into four major businesses: Retail Financial Services, Wholesale credit and treasury, Investments Advisory and Others. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operates.

Allocation of common costs

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

Unallocated items

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

B NOTES ON ACCOUNTS

1. During the current year, the Company has made investments in subsidiaries. As the consideration paid by the company differs from the book value of the net assets acquired, the goodwill/capital reserve on acquisition amount to as follows:

(Amount in ₹)

	Consideration paid	Book value of net asset acquired	Goodwill
	A	B	C = (A-B)
Subsidiaries			
Opening Balance as at April 1, 2010			85,403,976
Add:			
Investments in Anchor Trading and Investment Private Limited	44	(1,319,223)	1,319,267
Investment in FCH Centrum Wealth Managers Limited	10,000,000	(72,470,755)	82,470,755
			169,193,998
Less: Provision for impairment of goodwill (Refer note B16 below)			82,470,755
Total			**86,723,243**

2. **Included in Loans and Advances are:**

Loans and advances granted to companies under same management pursuant to Section 370(1B) of the Companies Act, 1956, associates and companies in which directors are interested pursuant to and Clause 32 is as under:

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
Due from companies under same management		
Future Generali India Insurance Company Limited (Maximum amount outstanding during the year ₹ 1,042,436 (Previous year ₹ 500,000)]	100,848	500,000

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Particulars	As at March 31, 2011	As at March 31, 2010
Home Solutions Retail (India) Limited		
(Maximum amount outstanding during the year ₹ 258,914,088 (Previous year ₹ 257,268,991)]	-	80,000,000
Due from directors of the Company		
(Maximum amount outstanding during the year ₹ Nil (Previous year ₹ 14,220,038)]	-	-
Due from officers of the Company		
(Maximum amount outstanding during the year ₹ 10,000,000 (Previous year ₹ 1,543,593)]	10,000,000	-

3. **Contingent Liabilities and Commitments**

a. Contingent Liabilities

(Amount in ₹)

	As at March 31, 2011	As at March 31, 2010
Guarantees given by Banks on behalf of the Company	77,700,000	200,000
Guarantee given by the Company on behalf of a subsidiary	-	6,730,224,621
Income tax matters under dispute	10,383,352	4,868,082

b. Capital commitments:

(Amount in ₹)

	As at March 31, 2011	As at March 31, 2010
Estimated amount of contracts remaining to be executed on capital account and not provided for	56,671,960	78,300

4. **Gratuity and other post-employment benefit plans:**

The Group has a defined benefit gratuity plan. The following table summaries the components of net benefit expense recognized in the profit and loss account and amounts recognized in the balance sheet for the respective plans. Gratuity expense has been included in Salaries, wages and allowances under Personnel expenses.

A. Change in Present Value of Obligation

(Amount in ₹)

	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
	Gratuity (Unfunded)		Gratuity (Funded)	
Present Value of the Obligation as at the beginning of the year	4,353,799	5,604,349	-	-
Adjustment on account of exclusion of joint venture/ subsidiary	(333,557)	-	1,116,042	-
Interest Cost	321,619	338,644	69,055	-
Current Service Cost	3,086,264	2,005,189	802,112	-
Benefit Paid	(1,118,691)	(1,580,251)	(523,078)	-
Actuarial (gain)/ loss on obligations	(1,582,787)	(2,014,132)	933,722	-
Present Value of the Obligation as at the end of the year	4,726,647	4,353,799	2,397,853	-

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

B. Fair Value of Plan Assets

(Amount in ₹)

	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
	Gratuity (Unfunded)		Gratuity (Funded)	
Fair Value of the Plan Assets as on April 1, 2010	-	-	1,637,756	-
Expected return on Plan Assets	-	-	98,265	-
Contributions	-	-	1,122,658	-
Benefits paid	-	-	(523,078)	-
Actuarial gain/ (loss) on Plan Assets	-	-	(1,114)	-
Fair Value of the Plan Assets as on March 31, 2011	-	-	2,334,487	-

C. Actual return on Plan Assets

(Amount in ₹)

	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
	Gratuity (Unfunded)		Gratuity (Funded)	
Expected return on Plan Assets	-	-	98,265	-
Actuarial gain/ (loss) on Plan Assets	-	-	(1,114)	-
Actual return on Plan Assets	-	-	97,151	-

D. Amount recognised in the Profit and Loss Account

(Amount in ₹)

	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
	Gratuity (Unfunded)		Gratuity (Funded)	
Interest Cost	321,619	338,644	69,055	-
Current Service Cost	3,086,264	2,005,189	448,142	-
Expected return on Plan Assets	-	-	(98,265)	-
Actuarial (gain)/ loss on obligations	(1,582,787)	(2,014,132)	1,353,768	-
Total expense recognised in the Profit and Loss Account	1,825,096	329,701	934,836	-

E. Reconciliation of Balance Sheet

(Amount in ₹)

	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
	Gratuity (Unfunded)		Gratuity (Funded)	
Present Value of the Obligation as at the beginning of the year	4,353,799	5,604,349	1,116,042	-
Adjustment on account of exclusion of joint venture	(333,557)	-	353,970	-
Total expense recognised in the Profit and Loss Account	1,825,096	329,701	1,450,919	-
Employer's Contribution	(1,118,691)	(1,580,251)	(523,078)	-
Present Value of the Obligation as at the end of the year	4,726,647	4,353,799	2,397,853	-

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

The principal assumptions used in determining obligations for the Group's plans are shown below:

Assumptions	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
	Gratuity (Unfunded)		Gratuity (Funded)	
Discount rate	8%	7%	7.50%	-
Increase in compensation cost	5%	5%	6%	-
Employee turnover	2%	1% - 2%	2%	-
Rate of Return on Plan Assets	NA	NA	8%	-

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. There are no material experience adjustment during the year.

5. **Employee Stock Option Scheme (ESOS)**

ESOS 2007

Pursuant to ESOS 2007 the Company had granted options in respect of 1,000,000 equity shares to the eligible employees at an exercise price of ₹ 178. The original vesting period for the options was modified from three years ending in October/ November 2010 to December 15, 2009 by the remuneration committee vide its meeting held on December 11, 2009.

During the year, the Company has granted 344,000 options to the eligible employee at an exercise price of ₹ 257.35. Options will vest after the expiry of 3 years from the date of grant. The same will be exercisable within 4 years from the date of vesting. Details of activity in respect of ESOS 2007 are as follows:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Options outstanding as at the beginning of the year	656,000	698,000
Granted during the year	344,000	-
Forfeited during the year	6,000	-
Lapsed during the year	-	42,000
Exercised/ Allotted during the year	535,000	-
Outstanding as at the end of the year	459,000	656,000
Exercisable at the end of the year	115,000	-
Weighted average remaining contractual life (in years)	4.25	0.66
Weighted average fair value of options granted	₹ 112.11	₹ 9.37

ESOS 2008

Pursuant to ESOS 2008 the Company had granted options in respect of 948,500 equity shares to the eligible employees at an exercise price of ₹ 102. The vesting period for options was modified from three years ending on March 31, 2012 to March 31, 2010 by the remuneration committees vide its meeting held on December 11, 2009.

During the year, the Company has granted 670,000 options to the eligible employee at weighted average exercise price of ₹ 200.71. Options aggregating 200,000 will vest after the expiry of 3 years. Options aggregating 470,000 will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. All the options are exercisable within 4 years from the date of vesting. Details of activity in respect of ESOS 2008 are as follows:

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Options outstanding as at the beginning of the year	740,000	948,500
Granted during the year	670,000	-
Forfeited during the year	120,000	-
Lapsed during the year	-	208,500
Exercised/ Allotted during the year	720,500	-
Outstanding as at the end of the year	569,500	740,000
Exercisable at the end of the year	19,500	740,000
Weighted average remaining contractual life (in years)	5.92	4
Weighted average fair value of options granted	₹ 101.69	₹ 63.00

ESOS 2009

The Compensation and Nomination Committee through Resolution passed by circulation dated October 18, 2010 and January 3, 2011has granted options in respect of 300,000 and 50,000 equity shares to the eligible employees at an exercise price of ₹ 250.85 and ₹ 193 respectively pursuant to ESOS 2009 Scheme. The options will vest in graded proportion of 20%, 30% and 50% after the expiry of 1, 2 and 3 year respectively. The same will be exercisable within 4 years from the date of vesting. Details of activity in respect of ESOS 2009 are as follows:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Options outstanding as at the beginning of the year	-	Not applicable
Granted during the year	350,000	Not applicable
Forfeited during the year	-	Not applicable
Lapsed during the year	-	Not applicable
Exercised/ Allotted during the year	-	Not applicable
Outstanding as at the end of the year	350,000	Not applicable
Exercisable at the end of the year	-	Not applicable
Weighted average remaining contractual life (in years)	5.83	Not applicable
Weighted average fair value of options granted	₹ 141.50	Not applicable

The fair value of the stock options granted during the period have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

Particulars	ESOP 2007	ESOP 2008	ESOP 2009
Exercise Price	₹ 257.35	₹ 148.05 for 200,000 stock options;	₹ 250.85 for 300,000 stock options;
		₹ 257.35 for 220,000 stock options	₹ 193 for 50,000 stock options
		₹ 193 for 250,000 stock options	
Historical Volatility	59.10%	59.10%-60.40%	57.17% - 58.88%

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Life of the options granted (Vesting and exercise period) in years	Vesting schedule:	Vesting schedule:	Vesting schedule:
	3 years from the date of grant.		Vesting schedule:
	Exercise Period: Within 3 years from the date of vesting	For 200,000 options – Within 3 years from the date of vesting	20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively
		For 470,000 options - 20%, 30% and 50% from the end of 1, 2 and 3 years of the date of grant respectively	Exercise Period:
		Exercise Period:	Within 4 years from the date of vesting
		Within 4 years from the date of vesting	
Dividend yield	0.44%	0%-0.44%	0.44%
Average risk-free interest rate	7.64%	7.06% - 7.64%	7.76% - 8.05%

Proforma Accounting

Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Net Profit after tax as reported	491,208,754	592,655,350
Less: Employee stock compensation cost under fair value method	32,012,813	49,170,457
Total	**459,195,941**	**543,484,893**
Basic earnings per share as reported	7.64	9.33
Proforma Basic earnings per share	7.15	8.56
Diluted earnings per share as reported	7.63	9.25
Proforma Diluted earnings per share	7.13	8.48

6. **Segmental Reporting**

The Group has organized its operations into four major businesses: Retail Financial Services, wholesale credit and Treasury, Investments Advisory and Others. A description of the types of products and services provided by each reportable segment is as follows:

Retail Financial Services:

Under the retail financial service category, the Company provides (i) property loans (ii) gold loans (iii) consumer durable loans and (iv) broking and wealth management.

Wholesale credit and Treasury:

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

Investment Advisory:

The Company provides investment advisory services to its clients. These investment advisory services include investment analysis, research and investment recommendations.

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Others:

This includes property leasing and management services, vehicle leasing & financing and mall management activities.

Geographical Segments :

The Group has identified geographical segments as within India and outside India.

For Segment Information - Refer Annexure 1

7. **Related Party Disclosure:**

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

Relationship	**Name of the Party**
Holding Company	Pantaloon Retail (India) Limited
Joint Ventures	FCH CentrumDirect Limited (upto March 28, 2011)
	FCH Centrum Wealth Managers Limited (upto March 28, 2011)

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

Fellow subsidiaries	Home Solutions Retail (India) Limited
	Future Media India Limited
	Future Knowledge Services Limited
	Future E- Commerce Infrastructure Limited
	Future Value Retail Limited
Associates	Future Ideas Company Limited
Key Management Personnel	Mr. V. Vaidyanathan Vice Chairman and Managing Director (w.e.f. August 4, 2010)
	Mr. Krishan Kant Rathi, Manager (w.e.f. April 6, 2010 till August 10, 2010)
	Mr. Sameer Sain, Vice Chairman and Managing Director (upto February 5, 2010)
	Mr. Dhanpal Jhaveri, Whole time Director designated as Executive Director (upto April 6, 2010)

Refer Annexure 2 and 2A for the transactions with related parties.

8. **Finance Leases**

(Amount in ₹)

Particulars	**Future Minimum Lease Payments As at March 31, 2011**	**Present Value of Minimum Lease Payments As at March 31, 2011**	**Finance Charges**
Not later than one year	12,747,846 (11,069,735)	12,747,846 (7,536,725)	- (3,533,010)
Later than one year and not later than five years	23,864,267 (26,848,342)	23,864,267 (22,676,127)	- (4,172,215)
Later than five years	- (-)	- (-)	- (-)
Total	36,612,113 (37,918,077)	36,612,113 (30,212,852)	- (7,705,225)

Note: Brackets denote previous year's figures.

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

General description of significant financial leasing arrangement

The Group has leasing arrangements for finance lease for motor cars.

9. **Operating Leases**

a. *Payments*

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

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Lease payments recognised in the profit and loss account	32,450,545	145,750,931

Details of non-cancellable leases are as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Minimum Lease Payments:		
Not later than one year	57,931,017	7,174,397
Later than one year but not later than five years	117,024,224	-
Later than five years	-	-

b. *Receipts*

The Group owns immovable property at Mumbai, which has been given to various lessees on a leave and license basis. Primary lease in respect of these arrangements is of 60 months, subject to mutual agreement between the Lessor and the Company.

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Lease income recognised in the profit and loss account	87,183,158	83,901,024
Minimum Lease Payments:	57,931,017	7,174,397
Not later than one year	64,697,072	87,431,984
Later than one year but not later than five years	103,312,512	207,503,916
Later than five years	-	-

c. *Sub-lease*

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

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Lease income recognised in the profit and loss account	360,000	480,000

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

10. Earnings Per Share ('EPS')

Basic and diluted EPS has been computed by dividing the net profit after tax for the year attributable to equity shareholders by weighted average number of equity shares outstanding during the year.

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
Net profit/ (loss) considered for basic EPS calculation	491,208,754	592,655,350
Weighted average number of equity shares for calculating basic EPS	64,260,148	63,527,984
Nominal value per share	₹ 10	₹ 10
Basic EPS	7.64	9.33
Net profit/ (loss) considered for diluted EPS calculation	491,208,754	592,655,350
Weighted average number of equity shares used for calculating basic EPS	64,260,148	63,527,984
Add : Weighted average number of equity shares (on exercise of options granted under ESOS)	142,807	554,251
Weighted average number of equity shares in calculating diluted EPS	64,402,955	64,082,235
Nominal value per share	₹ 10	₹ 10
Diluted EPS	7.63	9.25

11. Deferred Tax Liabilities/ Assets

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
Deferred Tax Liability		
Share of jointly controlled entities	-	246,794
Sub-Total	**-**	**246,794**
Deferred Tax Asset		
On depreciation	15,216,632	69,263,210
On provision for gratuity and leave encashment	3,366,261	1,615,459
On expenses disallowed u/s. 43B and 40a(ia) of Income Tax Act, 1961	158,848	71,376
On carry forward losses and unabsorbed depreciation	16,137,773	18,367,086
On preliminary expenditure	(19,702)	88,389
On provision for doubtful advances	996,908	3,004,269
On provision for standard assets	24,616,352	-
Share of jointly controlled entities	-	560,851
Sub-Total	**60,473,072**	**92,970,640**
Deferred tax (assets)/ liabilities (net)	**(60,473,072)**	**(92,723,846)**

12. Joint Venture Disclosure:

i) Jointly Controlled Entity by the Company:

Name of the Entity	Country of incorporation	% Holding	
		March 31, 2011	March 31, 2010
Realterm FCH Logistics Advisors Private Limited	India	-	50%
FCH CentrumDirect Limited*	India	-	50%
FCH Centrum Wealth Managers Limited*	India	-	50%

* Refer note 13 below

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

ii) Company's share of in the Assets, Liabilities, Income and Expenses with respect to jointly controlled entities are as follows:

(Amount in ₹)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Assets #	-	997,697,863
Liabilities #	-	308,720,667
Revenue	37,228,200	226,403,392
Depreciation/ amortization	6,173,269	15,407,076
Other expenses	113,140,918	271,082,606
Profit/ (Loss) before tax	(82,085,986)	(60,086,290)
Contingent Liabilities #	-	-

Note #: The figures for the year ended March 31, 2011 are in respect of joint venture with FCH Centrum Wealth Managers Limited ('FCWML'). FCHCWML was joint venture upto March 28, 2011 thereafter it became a wholly owned subsidiary of the Company. Hence disclosure in respect of assets and liabilities is not applicable as per Accounting Standard (AS-27) issued by ICAI.

13. During the year, the Company has sold its 50% stake in joint venture FCH CentrumDirect Limited to Centrum Capital Limited vide Share Purchase Agreement dated March 28, 2011 for a consideration of ₹ 1,000,000,000. The profit on sale of shares aggregating ₹ 250,136,882 has been shown under other income.

The Company acquired additional 50% stake in FCH Centrum Wealth Managers Limited ('FCWML') from Centrum Capital Limited for a consideration of ₹ 10,000,000 vides Share Purchase Agreement dated March 28, 2011. Consequently, FCHCWML has become a wholly owned subsidiary of the Company. FCWML is in the business of retail broking and distribution of mutual funds, insurance and other financial products.

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

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

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
Total loan origination cost deferred	128,308,748	19,151,279
Cost amortised and charged to profit and loss account during the year	96,852,871	3,256,964
Unamortised cost shown into balance sheet	47,350,190	15,894,313

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
Total unamortised income from customers/dealers	149,910,324	22,355,906
Income amortised and credited to profit and loss account during the year	127,427,501	32,616,244
Unamortised income shown into balance sheet	48,759,194	26,627,549

15. Adjustment to opening profit and loss account is on account of inclusion of FCH Centrum Wealth Managers Limited ('FCWML') and exclusion of FCH Realterm Logistics Advisors Private Limited in the consolidated financial statements.

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

16. **Provision for impairment of assets**

At the balance sheet date, the Group has reviewed the carrying amount and impaired the following fixed assets:

(Amount in ₹)

Particulars	Gross block	Carrying amount	Impairment loss
Leasehold improvements	12,784,780	5,791,046	5,791,046
Furniture and fixtures	2,089,991	1,005,851	1,005,851
Goodwill	14,000,000	6,825,000	6,825,000
Computer – Software	11,994,488	5,187,560	5,187,560
Capital Work in Progress	-	-	1,234,905
Goodwill on consolidation	-	200,569,155	200,569,155
Total	**40,869,259**	**219,378,612**	**220,613,517**

The leasehold improvements and furniture & fixtures and Computer – Software were tested for impairment as at balance sheet date and accordingly provided for impairment loss.

The goodwill relates to acquisition of distribution business of FCH CentrumDirect Limited in financial year 2008-09. The carrying amount of goodwill was tested for impairment and based on such impairment test the entire carrying amount of goodwill is provided for impairment.

The Capital Work in Progress under implementation were stand still for long time and Group's efforts in finding alternative for implementation of the projects did not yield desired results, the same is provided for impairment losses.

The goodwill on consolidation relates to FCH Centrum Wealth Managers Limited ('FCWML'). The Company had paid cumulative amount of ₹ 200,569,155 in excess of net assets acquired from FCHCWML. The Company had acquired 50% stake each in FY 2007-08 and FY 2010-11 respectively. The net worth of FCHCWML has eroded substantially and as a measure of prudence the Company has provided for impairment.

17. In the previous year the Company and its certain subsidiaries entered into appropriate agreements with Everstone Investment Advisors Private Limited ('EIAPL'), to realign their respective investment advisory activities with a view to having a focused and dedicated approach to the investment advisory business. The realignment agreement was effective from January 1, 2010 pursuant to which the Group had received a consideration of ₹ 100,000,000 which was reflected under other income.

18. In the previous year pursuant to the accounting treatment prescribed by the Scheme of demerger as sanctioned by the Hon'ble High Court of Judicature at Bombay, the Group had charged the following amounts against Reserves (Profit and Loss Account):

Particulars	Amount in ₹
Bad debts (net of recovery) and Provision for doubtful retail loans	269,563,458
Loan origination cost	11,831,365
Expenses related to the Scheme	4,296,291
Total	**285,691,114**

19. Previous years' figures have been reclassified/ regrouped to conform with the current year's presentation, wherever applicable.

As per our report of even date

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

per Hemal Shah
Partner
Membership No. 42650

Place : Mumbai
Date : June 30, 2011

For and on behalf of the Board of Directors of Future Capital Holdings Limited

Kishore Biyani
Chairman

V. Vaidyanathan
Vice Chairman & Managing Director

Ashok Shinkar
Head-Corporate Center & Chief Financial Officer

Chetan Gandhi
Head - Legal & Secretarial

Place : Mumbai
Date : June 30, 2011

Annexure 1 to Note B6 of the Schedule 18 of Notes to Accounts

Information about segments

(Amount in ₹)

Particulars	Investment Advisory Services		Wholesale Credit and Treasury		Retail Financial Services		Others		Unallocated		Eliminations		Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
I. Primary Segment-Business														
Revenue														
External revenue	16,792,242	546,213,628	2,064,359,067	806,229,171	1,505,621,959	1,073,640,720	141,423,650	74,684,530	286,944,849	15,728,359	-	-	4,015,141,767	2,516,496,408
Inter segment revenue	-	-	21,774,427	54,045,105	164,016,278	-	6,480,450	65,157,651	-	-	192,271,155	119,202,756	192,271,155	119,202,756
Total Reveue	**16,792,242**	**546,213,628**	**2,086,133,494**	**860,274,276**	**1,669,638,237**	**1,073,640,720**	**147,904,100**	**139,842,181**	**286,944,849**	**15,728,359**	**192,271,155**	**119,202,756**	**4,207,412,922**	**2,635,699,164**
Segment result	**16,529,633**	**232,577,764**	**632,443,287**	**201,672,691**	**161,856,660**	**190,775,112**	**56,620,591**	**13,827,589**	**286,944,849**	**15,728,359**	**-**	**-**	**1,154,395,020**	**654,581,515**
Interest	-	-	-	-	-	-	-	-	(5,114,568)	(55,859)	-	-	(5,114,568)	(55,859)
Unallocated expense (net)	-	-	-	-	-	-	-	-	-	-	-	-	(310,707,922)	(52,874,918)
Income taxes (Current tax, fringe benefit tax and deferred tax)	-	-	-	-	-	-	-	-	(347,363,776)	(8,995,388)	-	-	(347,363,776)	(8,995,388)
Net Profit/ (Loss) after tax													**491,208,754**	**592,655,350**
Other Information														
Segment assets	103,377,724	228,490,615	24,194,219,270	10,649,912,084	10,705,775,437	6,485,167,969	758,148,805	783,783,721	-	-	-	-	35,761,521,236	18,147,354,389
Other unallocated assets	-	-	-	-	-	-	-	-	633,935,499	1,665,895,591	-	-	633,935,499	1,665,895,591
Total Assets	**103,377,724**	**228,490,615**	**24,194,219,270**	**10,649,912,084**	**10,705,775,437**	**6,485,167,969**	**758,148,805**	**783,783,721**	**633,935,499**	**1,665,895,591**	**-**	**-**	**36,395,456,735**	**19,813,249,980**
Segment liabilities	14,039,114	31,543,745	19,606,791,598	8,011,427,064	8,676,866,430	4,121,361,864	628,529,431	665,405,874	-	-	-	-	28,926,226,573	12,829,738,547
Other unallocated liabilities	-	-	-	-	-	-	-	-	-	74,513,458	-	-	-	74,513,458
Total Liabilities	**14,039,114**	**31,543,745**	**19,606,791,598**	**8,011,427,064**	**8,676,866,430**	**4,121,361,864**	**628,529,431**	**665,405,874**	**-**	**74,513,458**	**-**	**-**	**28,926,226,573**	**12,904,252,005**
Capital Expenditure	2,219,694	2,644,169	-	-	7,303,957	7,303,957	44,553	44,553	-	-	-	-	9,568,204	9,992,679
Depreciation/ amortisation	6,402,930	8,101,398	4,555,033	2,432,484	16,691,686	98,951,595	14,914,291	13,142,207	-	-	-	-	42,563,939	122,627,684
Other non-cash expenses	-	-	71,998,801	-	73,927,123	73,727,274	-	-	200,569,155	-	-	-	346,495,079	73,727,274
II. Secondary Segment-Geographical														
Domestic	1,932,588	1,429,999	2,086,133,494	860,274,275	1,669,638,237	1,073,640,720	147,904,100	139,842,181	286,944,849	15,728,359	-	-	4,192,553,268	2,090,915,535
Export	14,859,654	544,783,629	-	-	-	-	-	-	-	-	-	-	14,859,654	544,783,629
Total	**16,792,242**	**546,213,628**	**2,086,133,494**	**860,274,275**	**1,669,638,237**	**1,073,640,720**	**147,904,100**	**139,842,181**	**286,944,849**	**15,728,359**	**-**	**-**	**4,207,412,922**	**2,635,699,164**

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Annexure 2 to Note B7 of the Schedule 18 of Notes to Accounts

Transactions with Related patties

(Amount in ₹)

	Holding Company		Fellow Subsidiaries		Associate Companies		Key Management Personnel	
Particulars	**2010-2011**	**2009-2010**	**2010-2011**	**2009-2010**	**2010-2011**	**2009-2010**	**2010-2011**	**2009-2010**
Purchase of Goods/services	-	778,340	-	1,857,506	-	-	-	-
Marketing and Advertising	-	-	299,744	503,650	-	-	-	-
Loan Taken	-	250,000,000	-	-	-	-	-	
Deposit Given	892,500	-	420,000,000	-	-	-	-	-
Loans Given	-	-		560,000,000		42,000,000	-	
Loan Repaid	250,000,000	-	500,000,000	480,000,000	-	-	-	-
Interest received	-	-	14,128,769	44,486,301	-	230,137	-	-
Interest Paid	359,589	71,918	-	-	-			
Rent Received	-	-	-	-	-	-	-	-
Rent Paid	9,565,842	1,933,508	-	3,600,000	-	-	-	-
Subvention Income Received	-	442,358	-	3,039,306	-	-	-	-
Commision Income	-	70,000,000	-	-	-	-	-	-
Operating expenses incurred by the Company on behalf of the related party	-	33,049	-	-	-	537,504	-	-
Fixed assets / Intangible assets Purchased	49,500	-	-	-	-	-	-	-
Fixed assets / Intangible assets Sold	-	-	-	65,000	-	-	-	-
Operating expenses incurred by the related party on behalf of the Company	-	285,000	-	27,482	-	-	-	-
Directors Remuneration	-	-	-	-	-	-	27,527,661	22,796,667
Closing Balances								
Loan Account	-	(250,000,000)	-	80,000,000	-	-	-	-
Receivables/ (Payables) (net)	4,578,810	70,591,126	19,562,537	(337,137)	-	(3,660)	-	-
Other balances	-	26,648	-	152,225	-	1,157,740	-	-

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Annexure 2A to Note B7 of the Schedule 18 of Notes to Accounts
Disclosure of related party transactions more than 10% (Amount in ₹)

Particulars	Transaction Value 2010-2011	Transaction Value 2009-2010
Purchase of Goods/services		
Pantaloon Retail (India) Limited	-	778,340
Future Knowledge Services Ltd.	-	1,857,506
Marketing & Advertising		
Future Media (India) Limited	-	165,450
Future E- Commerce Infrastructure Limited	299,744	338,200
Loan Taken		
Pantaloon Retail (India) Limited	-	250,000,000
Deposit Given		
Pantaloon Retail (India) Limited	892,500	-
Loans Given		
Home Solutions Retail (India) Limited	420,000,000	410,000,000
Home Lightening India Limited	-	
Aadhar Retailing Limited	-	
Loan Repaid		
Pantaloon Retail (India) Limited	250,000,000	-
Home Solutions Retail (India) Limited	500,000,000	330,000,000
Interest received		
Home Solutions Retail (India) Limited	14,128,769	26,486,301
Home Lightening India Limited	-	
Interest Paid		
Pantaloon Retail (India) Limited	359,589	71,918
Rent Paid		
Pantaloon Retail (India) Limited	9,565,842	1,933,508
Home Solutions Retail (India) Limited	4,200,000	3,600,000
Subvention Income Received		
Pantaloon Retail (India) Limited	-	442,358
Home Solutions Retail (India) Limited	6,985,506	2,894,259
Future Value Retail Limited	12,948,264	-
Commision Income		
Pantaloon Retail (India) Limited	-	70,000,000
Operating expenses incurred by the Company on behalf of the Party		
New Edge Investments Advisors Ltd	-	124,199
Future Ventures India Limited	66,490	413,305
Fixed assets / Intangible assets Purchased		
Pantaloon Retail (India) Limited	49,500	-
Fixed assets / Intangible assets Sold		
Pantaloon Future Ventures Limited	-	65,000
Operating expenses incurred by the Party on behalf of the Company		
Pantaloon Retail (India) Limited	-	285,000
Home Solutions Retail (India) Limited	27,482	-
Director's Remuneration		
Mr. V. Vaidyanathan, Vice Chairman & Managing Director	27,527,661	-
Mr. Sameer Sain, Managing Director & CEO	-	11,609,611
Mr. Dhanpal Jhaveri, Executive Director	-	11,187,056
Loan/ ICD Account given/ (taken)		
Pantaloon Retail (India) Limited	-	(250,000,000)
Home Solutions Retail (India) Limited	-	80,000,000
Receivables/ (Payables) (net)		
Home Solutions Retail (India) Limited	11,867,938	-
Pantaloon Retail (India) Limited	4,578,810	70,591,126
Future Value Retail Limited	7,694,599	-
Other balances		
Future Value Retail Limited	-	145,047
Future Ventures India Limited	-	1,157,740

SCHEDULE 18 CONSOLIDATED NOTES TO ACCOUNTS

Information on the financials of the subsidiary companies for the year ended March 31, 2011

[Prepared in compliance with the requirements of the exemption letter(s) of the Ministry of Corporate Affairs, Government of India]

(Amount in ₹)

Name of the Subsidiary Company	FCH Securities & Advisors Limited (Formerly Ambit Investment Advisory Company Limited)	Myra Mall Management Company Limited	Future Hospitality Management Limited	Kshitij Investment Advisory Company Limited	Future Capital Investment Advisors Limited	Future Finance Limited	Future Captial Financial Services Limtied (Refer Note 3 below)	Kshitij Property Solutions Private Limited	Axon Development Solutions Limited	Future Capital Home Finance Private Limited	FCH Centrum Wealth Managers Limited	Anchor Trading & Investment Private Limited
The financial year of subsidiary ended on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	December 31, 2010
Capital	22,500,000	10,000,000	500,000	30,000,000	22,500,000	107,500,000	261,250,000	6,840,000	500,000	100,000	278,056,000	774,608
Reserves	(7,232,829)	66,753,450	(392,232)	124,917,554	94,164,962	25,068,023	623,590,608	1,156,683	(570,242)	(232,050)	(173,994,308)	12,865,553
Total assets	15,495,121	805,822,127	179,463	159,128,198	123,715,758	132,980,754	8,604,163,912	12,538,855	1,454	746,400	220,948,526	16,046,494
Total liabilities	15,495,121	805,822,127	179,463	159,128,198	123,715,758	132,980,754	8,604,163,912	12,538,855	1,454	746,400	220,948,526	16,046,494
Investments (except in case of investment in subsidiaries)	15,000,000	60,000,000	-	81,480,164	77,750,544	39,665,457	-	-	-	-	-	-
Turnover	870,682	129,098,171	24,962	8,779,752	3,933,509	12,348,301	1,352,331,430	10,632,031	24,759	-	55,563,301	14,859,654
Profit/ (Loss) before tax	(3,083,410)	46,398,065	(53,005)	3,985,809	1,082,623	11,268,525	170,240,882	3,338,736	(55,255)	(232,050)	(140,879,909)	14,597,045
Provision for tax	-	9,186,291	-	2,684,378	(615,309)	3,675,356	132,232,495	191,563	-	-	-	412,226
Profit/ (Loss) after tax	(3,083,410)	37,211,774	(53,005)	1,301,431	1,697,932	7,593,169	38,008,387	3,147,173	(55,255)	(232,050)	(140,879,909)	14,184,819
Proposed dividend	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

1. Ministry of Corporate Affairs (MCA) has vide its letter No. 47/91/2011-CL-III dated February 8, 2011, read with General Circular No. 2/2011 dated February 8, 2011 and General Circular No. 3/2011 dated February 21, 2011, has exempted the Company from attaching to its Balance Sheet, certain information in respect of its subsidiaries specified in Section 212(1) of the Companies Act, 1956.
2. The annual accounts of the subsidiary companies are available for inspection at the Registered Office of the Company.
3. The figures are for the period ended February 28, 2011 since FCFSL has merged with FCH pursuant to the Scheme of Arrangement and Amalgamation which has benn sanctioned by the Hon'ble High Court of Mumbai.

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