

INDEPENDENT AUDITOR'S REPORT

To the Members of Aditya Birla Fashion and Retail Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Aditya Birla Fashion and Retail Limited ("the Company") (formerly Pantaloons Fashion & Retail Limited), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, in which are incorporated the branch's financial statements for the year ended on that date audited by the branch auditors of the Company's branches at Bengaluru.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The report on the accounts of the branch offices of the Company, audited under Section 143(8) of the Act by the branch auditor, has been sent to us and have been properly dealt by us in preparing this report;
 - (d) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the audited financial statements received from branches;
 - (e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016;
 - (f) On the basis of written representations received from the Directors, as on March 31, 2016, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2016, from being appointed as a Director in terms of Section 164(2) of the Act;
 - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (h) With respect to the Other Matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 36 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Other Matters

The accompanying financial statements include total assets of Rs.184,996 lakh as at March 31, 2016, and total revenues and profit before tax of Rs.391,118 lakh and Rs.21,935 lakh, respectively for the year ended on that date, in respect of two branches, which have been audited by the branch auditors, which financial statements, other financial information and auditor's reports have been furnished to us. Our opinion, in so far as it relates amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors. Our opinion is not modified in respect of this matter.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

per Vijay Maniar

Partner

Membership No.: 36738

Place: Bengaluru

Date: 25th May, 2016

Annexure 1 referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date

- (i)(a) The Company has maintained proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (i)(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. No material discrepancies were noticed on such verification.
- (i)(c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the title deeds of immovable properties are held in the name of the Company except for the following immovable properties other than self-constructed buildings aggregating to Rs.605 lakhs which are held in the name of the demerged companies and is in the process of being transferred to the Company (refer Note 32 to the financial statements).

Total Number of Cases	Asset Category	Amount as at 31 March 2016 (Rs.in lakhs)	Remarks
12	Freehold Land	592	Title deeds are in the names of the companies whose divisions got merged with the Company and are pending to be transferred in the name of the Company.
1	Building (Flat)	13	Title deeds are in the names of the companies whose divisions got merged with the Company and are pending to be transferred in the name of the Company.

- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii)(a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of Clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted, in respect of which provisions of Sections 185 and 186 of the Companies Act, 2013, are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Clause 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii)(a) Undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, excise duty, income tax, sales tax, wealth tax, service tax, customs duty, value added tax, cess and other material statutory dues, have generally been regularly deposited with the appropriate authorities.
- (vii)(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, wealth tax, service tax, sales tax, value added tax, excise duty, customs duty, cess and other material statutory dues

were outstanding, at the year end, for a period of more than six months from the date they became payable.

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

Name of the Statute	Nature of the Dues	Amount Involved (in Rs.)	Period to which the Amount Relates	Forum where Dispute is Pending
Central Excise Act	Excise Duty	21,121,944	1.05.2001 to 30.04.2003	Customs, Excise and Service Tax Appellate Tribunal, Bengaluru
Orissa Sales Tax Act	Sales Tax	81,000	2002-03	Assistant Commissioner of Commercial Taxes, Bhubaneswar
Orissa Entry tax	Entry Tax	32,000	2002-03	Assistant Commissioner of Commercial Taxes, Bhubaneswar
Kerala General Sales Tax Act	Kerala Sales Tax	68,000	2004-05	Kerala Sales Tax Appellate Tribunal, Ernakulam
Karnataka Tax on Entry of Goods Act	Entry Tax	221,000	2002-03 to 2004-05	Joint Commissioner of Commercial Taxes - Appeal-1
West Bengal Sales Tax	Sales Tax	121,000	2005-06	Asst. Commissioner of Commercial Taxes
Textile Committee Act	Textile Cess	13,266,000	1981-99	Textile Committee Cess Appellate Tribunal, Mumbai
		8,130,669	1999-05	Assessing Officer - Textiles Committee, Coimbatore
Karnataka Sales Tax	Sales Tax	341,445	2005-07	JCCT - Appeals
		48,287,594	2011-12	Hon'ble High Court, Karnataka
Central Sales Tax Act Tax	Central Sales	161,000	2006-07	The Appellate Deputy Commissioner (CT), Secunderabad Division
Uttar Pradesh Commercial Tax	Value Added Tax	72,556,564	2009-10, 2010-11 and 2011-12	DCCT, Uttar Pradesh
Uttar Pradesh- Value Added Tax	Value Added Tax	41,101,963	2008-09	DCCT, Uttar Pradesh
Custom Duty	Custom Duty	40,800,000	1998-99	Hon'ble High Court, Karnataka
Karnataka - Value Added Tax	Value Added Tax	817,012	2008-09	Deputy Commissioner of Commercial Taxes, Bengaluru
Madhya Pradesh - Value Added Tax	Value Added Tax	236,400	2013-14	Commercial Tax Department

- (viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to 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. The Company has not taken any loans or borrowings from the government.

- (ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/ further public offer/ debt instruments. The monies raised by way of term loans were applied for the purposes for which those were raised.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud on or by the officers and employees of the Company has been noticed or reported during the year.
- (xi) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that the managerial remuneration has been paid/ provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of Clause 3(xi) of the order are not applicable to the Company and hence not commented upon.
- (xiii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013, where applicable, and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the Balance Sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

per Vijay Maniar

Partner

Membership No.: 36738

Place: Bengaluru

Date: 25th May, 2016

Annexure 2 referred to in paragraph 2 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the financial statements of Aditya Birla Fashion and Retail Limited**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

To the Members of Aditya Birla Fashion and Retail Limited

We have audited the internal financial controls over financial reporting of Aditya Birla Fashion and Retail Limited (“the Company”) (formerly Pantaloons Fashion & Retail Limited) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

Explanatory Paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the financial statements of the Company, which comprise the Balance Sheet as at March 31, 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated May 25, 2016, expressed an unqualified opinion thereon.

For S R B C & CO LLP

Chartered Accountants
ICAI Firm Registration No.: 324982E/E300003

per Vijay Maniar

Partner

Membership No.: 36738

Place: Bengaluru

Date: 25th May, 2016