

**MUSIC WORLD RETAIL
LIMITED**

**ANNUAL REPORT AND ACCOUNTS
2011-12**

MUSIC WORLD RETAIL LIMITED

DIRECTORS' REPORT

To The Members,

Your Directors take pleasure in submitting the Fourth Annual Report and Audited Accounts of the Company for the year ended 31st March 2012.

FINANCIAL RESULTS

Particulars	Rs/Million	
	2011-12	2010-11
Sales and Other Income	362	515
Operating Loss	98	109
Depreciation / Amortisation	62	63
Loss for the year before exceptional items	160	171
Exceptional Items	98	1
Loss for the period	258	172

OPERATIONS REVIEW & OUTLOOK

The Challenges to growth continued in the year. As a response, the company closed down unprofitable stores. In addition, it rationalized all costs in line with revenue. All these actions have led to substantial reduction in losses for which benefit will be visible in the current year.

The company looks forward to turning around the corner at the operations level in the coming financial year.

MERGER

A scheme of amalgamation of the Company with effect from 1 January 2012 based on the fair valuation of assets and liabilities with its Holding Company i.e. Spencer's Retail Limited has been filed with the Hon'ble High Court at Calcutta which is pending approval as of date. Pending approval of scheme, no fair valuation was carried during the year of the assets and liabilities including goodwill impairment, if any.

DIRECTORS

Pursuant to section 256 of the Companies Act, 1956, Mr. Kannan Dasaratharaman retire by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment.

AUDIT COMMITTEE

The Audit Committee consists of four members namely Mr. Kannan Dasaratharaman, Mr. Subhrangshu Chakrabarti, Mr. Sunil Bhandari, and Mr. Anil Kumar Sanganeria.

AUDITORS REPORT

The Board has examined the Auditors Report to the accounts and the clarifications, wherever necessary, have been included in the Notes to Accounts.

AUDITORS

M/s. Lodha & Co., Chennai, Chartered Accountants, Chennai, Statutory Auditors of the Company retire at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received necessary confirmation from the Auditors under Section 224(1B) of the Companies Act, 1956 ("the Act").

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended, particulars of employees form part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereunder confirm that :

- i. in the preparation of annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- ii. they have selected such Accounting Policies and applied them consistently; and made judgment 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 financial year and of loss of the Company for the year ended on that date;
- iii. they 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 frauds and other irregularities;
- iv. that the annual Accounts have been prepared on a 'going concern' basis.

PARTICULARS OF TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

The provisions of Sec. 217(1) (e) of the Act relating to technology absorption and energy conservation do not apply to the Company. The Company widely uses information technology in its operations.

During the year under review, the expenditure in foreign currency and the foreign exchange earnings were NIL.

ACKNOWLEDGEMENTS

The Directors would like to express their appreciation to bankers, trade suppliers, employees and shareholders for their continued support and cooperation.

For and on behalf of the Board

Kolkata
Date:

Sd/-
Director
K. Dasaratharaman

Sd/-
Director
Subhrangshu Chakrabarti

**LODHA
& CO**
Chartered Accountants

Flat - 'D', DOLLYS CASTEL - AMBAL
FOUNDATION -
1, FIRST CROSS STREET,
SEETHAMMAL EXTN,
TEYNAMPET, CHENNAI- 600 018, India.
Tel : (91-44) 24320055
E-mail: chennai@lodhaco.com

The Shareholders
MUSIC WORLD RETAIL LIMITED,
KOLKATA

AUDITORS' REPORT

We have audited the attached Balance Sheet of **M/s MUSIC WORLD RETAIL LIMITED,** Kolkata, (hereinafter called the **COMPANY**) as at March 31, 2012 and the Statement of Profit and Loss for the period ended on that date and the cash flow statement annexed thereto.

1 RESPONSIBILITY

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these statements based on our audit.

2 SCOPE

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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 ASSERTIONS

- 3.1 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;
- 3.2 The Balance sheet and Statement of Profit and Loss dealt with by this report in agreement with the books of account;
- 3.3 We have relied on the representations given by the management in respect of transactions including values thereof and their appropriateness between the company and its holding (including ultimate holding company) / fellow subsidiary companies relating to provision for services rendered and received

LCO, Chennai



4 OPINION

4.1 The Balance Sheet and Statement of Profit and Loss dealt with by this report have been prepared in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in Section 211(3C) of the Act, to the extent applicable.

4.2 On the basis of the written representations received from the directors of the company as on 31.03.2012 and taken on record by the Board of Directors of the company, we are of the opinion that none of the directors of the company are disqualified from being appointed as directors in terms of 274(1)(g) of the Companies Act, 1956.

4.3 Attention is invited to Item No: 14 of Note No: 23 regarding non ascertainment of impairment of goodwill pending disposal of amalgamation petition before Hon'ble High Court of Kolkata

4.4 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies, contingent liabilities and other notes, give the information require by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;

(ii) In the case of Statement of Profit and Loss, of the LOSS for the period ended on that date. and

(iii) In the case of the cash flow statement of the statement of cash flows for the year ended on that date

5 As required by the Companies [Auditors' Report] Order 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and information and explanation given to us, we further report that:

FIXED ASSETS

a. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

b. We were informed that the physical verification of fixed assets are being done in a phased manner so that all the assets are being covered in a phased manner The company has verified some of the fixed assets during the year and no material discrepancies have been noticed

LCO, Chennai



- c. During the year, the company has disposed some of the assets, which in our opinion, is not substantial and it does not affect the going concern assumption.

INVENTORIES

- d. The inventories of the company at all locations excluding those lying with third parties, as informed to us, have been physically verified during the year by the management at reasonable intervals and the frequency of verification is reasonable.
- e. In our opinion, the procedures of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- f. The Company is maintaining proper records of inventory. As informed to us, no material discrepancies have been noticed during the verification.

LOANS TAKEN AND GIVEN

- g. According to the information and explanations given to us, the Company has not granted / taken any loan, secured or unsecured to/ from companies firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, except share application money from the holding company.
- h. The Company has not accepted any deposits from the public within the provisions of Section 58A, 58AA or any other relevant provisions of the Act and rules framed there under.
- i. In our opinion and according to the information and explanations given to us, the Company has not taken any loan from the banks or financial institutions and hence the reporting on the defaults in repayment does not arise
- j. In our opinion and according to the information and explanations given to us, the Company has not taken any term loans and hence question on the utilization of the term loans does not arise
- k. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

SECURITY FOR DEBENTURES

- l. The Company has not issued any debentures during the period and hence the question of commenting on the creation of security or charge does not arise.

FURNISHING OF GUARANTEE

- m. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from any bank or financial institutions.

LCO, Chennai



FURTHER ISSUE OF SHARES

- n. The Company has not raised any money by way of public issue during the year.
- o. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

INTERNAL CONTROL AND INTERNAL AUDIT

- p. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale / supply of services. During the course of our audit, no major weakness has been noticed in the internal controls.
- i. In our opinion the internal audit system is commensurate with the size of the company and nature of the business of the company

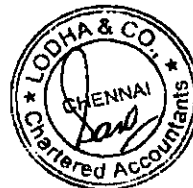
STATUTORY DUES

- q. The Company is generally regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Education and Protection Fund, Employees State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it with the appropriate authorities and according to the information and explanations given to us, there are no undisputed dues of statutory dues which are outstanding as at 31st March, 2012 for a period of more than six months from the date they became payable.
- r. According to the information and explanations given to us, there are no dues of Sales Tax/Income Tax/ Custom Duty/ Wealth Tax/ Service tax/Excise Duty /Cess which have not been deposited on account of any dispute.

COST AND OTHER RECORDS

- s. The Company being a service and trading Company, the maintenance of cost records has not been prescribed by the Central Government
- t. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and

LCO, Chennai



other investments. The investments shown in the accounts are held in the name of the Company.

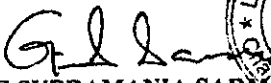
OTHERS


- u. Even though the company has not completed the existence of five years from the date of registration and the accumulated losses at the end of the year is not more than 50% of the net worth of the company, the company has incurred cash losses during the current year as well as in the immediately preceding previous year
- v. In our opinion, considering the nature of the activities carried out by the Company during the period, the provisions of any special statute applicable to Chit fund/ Nidhi/mutual benefit fund/societies are not applicable to the Company.
- w. Based on the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on short term basis which have been used for long term investment.
- x. On the basis of the books and records of the Company verified by us in the normal course of audit and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported by/to us during the course of our audit.

NON-REPORTING OF CERTAIN CLAUSES

- y. In our opinion the reporting on the Other Clauses of the CARO 2003 as amended by CARO 2004, viz iii(b),(c), (d),(e) to (g), (iv) is not applicable and hence not reported upon.

For LODHA & CO
Chartered Accountants


G.SUBRAMANIA SARMA
Partner
Membership No. 021756
Firm Registration Number FRN 301051E



Chennai

Dated 18 MAY 2012

LCO, Chennai

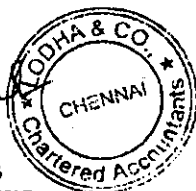
MUSIC WORLD RETAIL LIMITED

Balance Sheet as at March 31st,	Notes	Rs. Lakhs	
		2011-12	2010-11
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	500.00	500.00
(b) Reserves and surplus	4	1,220.99	3,802.57
2 Share application money pending allotment	5	-	1,396.00
3 Non-current liabilities			
(a) Long-term borrowings	6	1,854.00	-
(b) Long-term provisions	7	20.52	24.49
4 Current liabilities			
(a) Trade payables	8	911.37	1320.78
(b) Other current liabilities	9	62.38	76.29
(c) Short-term provisions	7	0.28	0.41
TOTAL		4,569.54	7,119.54
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	10		
i/ Tangible assets		726.80	1,910.64
ii/ Intangible assets		2933.63	3,357.47
		3,660.43	5,268.11
(b) Deferred tax assets (net)	11	-	-
(c) Long-term loans and advances	12	349.22	509.71
2 Current assets			
(a) Inventories	13	471.68	1,148.18
(b) Trade receivables	14	48.67	115.38
(c) Cash and Bank balances	15	33.73	37.91
(d) Short-term loans and advances	16	5.81	41.25
TOTAL		4,569.54	7,119.54
About the Company	1		
Significant Accounting Policies	2		
Other Notes	23		

The Notes referred to above form an integral part of the Balance Sheet
As per our report of even date

For Lodha & Co
Chartered Accountants

G Subramania Sarma
G Subramania Sarma
Partner
Membership No 021756
Firm Regn No FRN: 301051E



For and on behalf of the Board of
Music World Retail Limited

K. Parasurama Murthy Director
[Signature] Director
[Signature] Manager

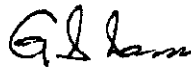
Place : Kolkata
Date : 18- MAY- 2012

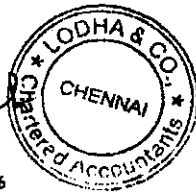
MUSIC WORLD RETAIL LIMITED

		Rs. Lakhs 2011-12	Rs. Lakhs 2010-11
Statement of Profit & Loss for the year ended March 31st,			
	Notes		
I. Revenue from operations	17	3,510.35	4,907.15
II. Other income	18	114.26	238.76
III. Total Revenue (I + II)		<u>3,623.61</u>	<u>5,145.91</u>
Expenses:			
Purchase of Stock In Trade	19	2123.74	3,560.80
(Increase)/Decrease in Stock In Trade	19	675.50	200.23
Employee benefits expense	20	497.94	682.30
Finance costs	21	14.73	19.12
Depreciation & Amortization expense		624.01	625.39
Other expenses	22	1288.75	1,774.22
IV. Total expenses		<u>5,225.67</u>	<u>6,861.07</u>
V. (Loss) before exceptional items and tax (III-IV)		(1602.06)	(1,715.16)
VI. Exceptional items		979.52	4.59
VII. (Loss) for the period (V-VI)		<u>(2,581.58)</u>	<u>(1,719.75)</u>
VIII. Earnings per equity share: (In Rupees)			
(Face Value of Rs 10 per Share)			
(1) Basic & Diluted before Exceptional Item	23/9	(32.04)	(34.30)
(2) Basic & Diluted after Exceptional Item	23/9	(51.63)	(34.39)
About the Company	1		
Significant Accounting Policies	2		
Other Notes	23		

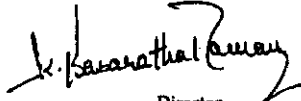
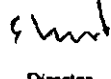

The Notes referred to above form an integral part of the Statement of Profit and Loss
As per our report of even date

For Lodha & Co
Chartered Accountants


G Subramania Sarma
Partner
Membership No 021756
Firm Regn No FRN: 301051E



For and on behalf of the Board of
Music World Retail Limited

 Director
 Director
 Manager

Place: Kolkata

Date: 18-MAY-2012

MUSIC WORLD RETAIL LIMITED

Cash Flow Statement for the year ended March 31st,

Rs. Lakhs

	2012	2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	(2,581.58)	(1,719.75)
Profit before tax from discontinuing operations	0.00	0.00
	<u>(2,581.58)</u>	<u>(1,719.75)</u>
Adjustments for:		
Depreciation	624.01	625.39
Bad Debts written off	-	-
Rental deposits written off	-	-
Interest expense	-	-
Profit on sale of Investments	-	-
Interest Income	0.80	0.77
(Profit)/ Loss on sale of Assets (net)	979.52	4.39
Provision for Lease equalisation	-	-
Non Cash Cost of Good sold adjustment	-	83.67
Provision for Service Tax on Rent	52.84	69.93
Provision for Doubtful advances and deposits	122.47	77.88
Provision for Obsolete stocks/Shrinkage	37.39	57.42
Liability written back	-	-
	<u>1,817.03</u>	<u>919.65</u>
Operating Loss before working capital changes	(764.55)	(800.10)
Movement in Working Capital		
Decrease/(Increase) in Inventories	458.44	58.61
Decrease/(Increase) in Sundry Debtors	66.70	29.01
Decrease/(Increase) in Loans & Advances and Other Current Assets	191.27	55.87
(Decrease)/Increase Current Liabilities & Provisions	<u>(410.91)</u>	<u>144.63</u>
	<u>305.50</u>	<u>288.12</u>
Cash Generated from Operations	(459.05)	(511.98)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(20.18)	(71.20)
Proceeds from Sale of fixed assets	25.32	3.15
Investments in Subsidiary Company	-	-
Sale of Mutual Fund Units	-	-
Purchase of Mutual Fund Units	-	-
Deposits made with the Bank	-	(0.67)
Interest received	7.65	0.75
	<u>12.79</u>	<u>(67.97)</u>
Net cash used in Investing activities		
C CASH FLOW FROM FINANCING ACTIVITIES		
Share Application Money received	458.00	577.00
Repayment of Secured Loans	-	-
Repayment of Unsecured Loans	-	-
Proceeds from Unsecured Loans	-	-
Interest paid	-	-
	<u>458.00</u>	<u>577.00</u>
Net Cash Flow from Financing activities		
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	11.74	(2.95)
Cash and cash equivalents as at 31st April	21.99	24.94
Cash and cash equivalents as at 31st March	33.73	21.99
Represented by:		
Cash on Hand	10.82	10.22
Cheques in Hand	-	-
Current Accounts	<u>22.91</u>	<u>11.77</u>
	<u>33.73</u>	<u>21.99</u>

As per our report of even date.

For Lodha & Co
Chartered Accountants

G Subramania Sarma
Partner
Membership No U21756
Firm Regn No FRN: 301051E



For and on behalf of the Board of
Music World Retail Limited

Director .. Director Manager

Place Kolkata

Date: 18-MAY-2012

MUSIC WORLD RETAIL LIMITED
NOTES TO FINANCIAL STATEMENT

Ref

3 SHARE CAPITAL

As at March 31st,	2011-12		2010-11	
	No. Shares	Rs. Lakhs	No. Shares	Rs. Lakhs
a) Authorized Share Capital				
Equity shares of Rs.10 each	6000000.00	600.00	6000000.00	600.00
b) Issued, subscribed and fully paid up capital				
Equity shares of Rs.10 each				
As at 1st April	5000000.00	500.00	5000000.00	500.00
Issued, subscribed and fully paid up during the period				
As at 31st March,	5000000.00	500.00	5000000.00	500.00

Out of the above, 49,50,000 shares are allotted as fully paid up pursuant to Business Transfer Agreement entered between the holding Company Spencer's Retail Limited and the Company on 31st March 2009, without payment being received in cash.

Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Rs 10 per share.

Each holder of equity is entitled to one vote per share.

In the event of liquidation of the company the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts.

The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Share held by each shareholder more than 5%

Name of the party	2011-12		2010-11	
	No. of Shares	%	No. of Shares	%
Spencer's Retail Limited	5,000,000.00	100.00	5,000,000.00	100.00

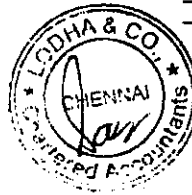
Spencer's Retail Limited is also the holding Company of Music World Retail Limited and % of shares held is depicted above
CESC Limited is the Ultimate Holding Company

Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31st March, 2012		As at 31st March, 2011	
	No of shares	Amount(Rs) Lakhs	No of shares	Amount(Rs) Lakhs
Equity Shares outstanding at the beginning of the year	5,000,000.00	500.00	5,000,000.00	500.00
Add: Equity Shares issued during the year				
Equity Shares outstanding at the end of the year	5,000,000.00	500.00	5,000,000.00	500.00

4 RESERVES & SURPLUS

As at March 31st,	2012-12		2010-11	
	Rs. Lakhs		Rs. Lakhs	
Securities Premium Account				
As at 1st April	7,524.00		7,524.00	
As at 31st March	7,524.00		7,524.00	
Surplus / (Deficit)				
Debit Balance in Statement of Profit and Loss at the beginning of the year	(3,721.43)		(2,000.68)	
Add: Loss for the year as per profit and loss statement	(2,561.58)		(1,719.75)	
Debit Balance in Statement of Profit and Loss at the end of the year	(6,303.01)		(3,721.43)	
Total	1,220.99		3,802.57	



MUSIC WORLD RETAIL LIMITED
NOTES TO FINANCIAL STATEMENT
SHARE APPLICATION MONEY PENDING ALLOTMENT
As at March 31st,

5	<u>2011-12</u>	<u>2010-11</u>
As at March 31st,	Rs. Lakhs	Rs. Lakhs
Share application money pending allotment	-	1,396.00
Terms & Condition		
Number Shares proposed to be issued		
The amount of Premium		
The period before which shares are to be allotted		
Sufficient authorised share capital		
The period for which application money has been pending		
6 LONG TERM BORROWINGS		
As at March 31st,	<u>2011-12</u>	<u>2010-11</u>
	Rs. Lakhs	Rs. Lakhs
Interest free loan from holding company	1,854.00	
Total	<u>1,854.00</u>	<u>0.00</u>
Refer: Other Explanatory Note 23/14		
7 PROVISIONS		
As at March 31st,	<u>2011-12</u>	<u>2010-11</u>
	Rs. Lakhs	Rs. Lakhs
LONG TERM		
Provision for Employee Benefits		
Leave Encashment	7.78	12.57
Gratuity	12.74	10.92
Total	<u>20.52</u>	<u>24.49</u>
SHORT TERM		
Provision for Employee Benefits		
Leave Encashment	0.11	0.18
Gratuity	0.17	0.23
Total	<u>0.28</u>	<u>0.41</u>



MUSIC WORLD RETAIL LIMITED
NOTES TO FINANCIAL STATEMENT

TRADE PAYABLES		2011-12	2010-11
As at March 31st,		Rs. Lakhs	Rs. Lakhs
Trade Payable			
-Due to Micro, Small and Medium Enterprises			
-Due to Others		911.37	1,320.78
		<u>911.37</u>	<u>1,320.78</u>
9 OTHER CURRENT LIABILITIES			
As at March 31st,		2011-12	2010-11
		Rs. Lakhs	Rs. Lakhs
Capital Vendors		3.90	5.24
Other Payables 1		58.48	71.05
		<u>62.38</u>	<u>76.29</u>
1 Other Payables includes			
Employee Related		43.89	46.39
Vat/Service Tax Related		5.99	12.43
TDS related		8.60	13.23
		<u>58.48</u>	<u>71.05</u>
11 DEFERRED TAX ASSETS			
As at March 31st,		2011-12	2010-11
		Rs. Lakhs	Rs. Lakhs
Deferred tax asset			
on account of loss		771.00	421.00
on account of others		337.00	46.00
Total		<u>1108.00</u>	<u>467.00</u>
Deferred Tax liability			
Net Deferred Tax asset		<u>1,108.00</u>	<u>467.00</u>
Deferred tax asset has not been recognized in the books based on the concept of prudence.			
12 LONG TERM LOANS & ADVANCES			
As at March 31st,		2011-12	2010-11
		Rs. Lakhs	Rs. Lakhs
Unsecured, Considered Good			
Security Deposits		296.28	450.28
Other Loans and Advances 1		51.94	60.43
		<u>348.22</u>	<u>509.71</u>
Total		<u>349.22</u>	<u>509.71</u>
1 Other Loans and Advances Includes Following			
Tax Deducted at Source		4.31	11.10
Sales Tax Deposit		39.36	33.38
Other Deposits		10.27	15.95
		<u>53.94</u>	<u>60.43</u>
13 INVENTORIES			
As at March 31st,		2011-12	2010-11
(At lower of cost and net realisable value)		Rs. Lakhs	Rs. Lakhs
Stock in Trade/Traded Goods		509.07	1,204.60
Less : Provision for Obsolete Stock		<u>37.39</u>	<u>57.42</u>
Total		<u>471.68</u>	<u>1,148.18</u>



MUSIC WORLD RETAIL LIMITED

NOTES TO FINANCIAL STATEMENT

10 FIXED ASSETS

v TANGIBLE ASSETS

Description	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 1st April 2011	Addition	Deletions	As at 31st March 2012	As at 1st April 2011	Addition	Deletion	As at 31st March	As at 31st March	As at 31st March
	2011	₹	₹	2012	₹	₹	₹	₹	₹	₹
Leasehold Improvements	355.98	1.67	224.45	133.20	82.51	24.12	50.22	56.41	76.79	273.47
Plant & Equipment	577.10	5.89	214.05	368.94	54.20	24.62	26.64	52.18	316.76	522.90
Computers Hardwares	116.09	1.58	28.43	89.24	35.84	17.05	11.14	41.75	47.49	80.25
Furniture & Fixtures	1173.21	11.04	744.70	439.55	160.11	134.30	124.12	170.29	269.26	1013.10
Office equipments	23.10		3.87	19.23	2.18	1.03	0.48	2.73	16.50	20.92
Vehicles				0.00				0.00	0.00	0.00
Total	2245.48	21.18	1215.50	1050.16	334.84	201.12	211.60	323.36	726.80	1910.64
Previous year's figures	2194.65	59.94	9.11	2245.48	167.64	168.39	1.19	334.84		1910.64

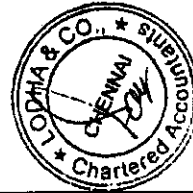
Rs Lakhs

Note: Exceptional item: Loss on Sale/ Discard of fixed assets

ii/ INTANGIBLE ASSETS

Rs Lakhs

Description	GROSS BLOCK			AMORTISATION			NET BLOCK	
	As at 1st April 2011	Addition	Deletions	As at 1st April 2011	Addition	Deletion	As at 31st March 2012	As at 31st March 2011
	2011	₹	₹	₹	₹	₹	₹	₹
Goodwill	4150.97	0.00		4150.97	415.10		1245.29	2905.68
Computer Softwares	48.60		1.66	46.94	7.79	0.71	18.99	27.95
Total	4199.57	0.00	1.66	4197.91	422.89	0.71	1264.28	2933.63
Previous year's figures	4225.57	11.00	37.00	4199.57	457.00	36.00	842.10	3357.47



MUSIC WORLD RETAIL LIMITED
NOTES TO FINANCIAL STATEMENT

14 TRADE RECEIVABLES	2011-12	2010-11
As at March 31st,	Rs. Lakhs	Rs. Lakhs
Unsecured		
Debits outstanding for a period exceeding six months		29.88
Considered good	12.71	9.92
Considered Doubtful	12.71	9.92
Less: Provision for doubtful debt	-	29.88
Other debts		
Considered good	48.67	84.50
Considered Doubtful	-	-
	<u>48.67</u>	<u>115.38</u>
Less: Provision for doubtful debts	-	-
Total	<u>48.67</u>	<u>115.38</u>
15 CASH AND BANK BALANCES	2011-12	2010-11
As at March 31st,	Rs. Lakhs	Rs. Lakhs
Cash & Cash Equivalents		
Balances with Banks	22.91	11.77
Cash on hand	10.82	10.22
Other Bank Balances		
Deposit with Sales Tax Authority	-	15.92
Total	<u>33.73</u>	<u>37.91</u>
16 SHORT TERM LOANS & ADVANCES	2011-12	2010-11
As at March 31st,	Rs. Lakhs	Rs. Lakhs
Unsecured, Considered Good		
Other Loans and Advances	5.81	22.15
Employee Loan	-	19.10
	<u>5.81</u>	<u>41.25</u>
Doubtful		
Security Deposits	75.67	77.88
Other Loans and Advances	-	-
Less: Allowance for doubtful debt	(75.67)	(77.88)
Total	<u>5.81</u>	<u>41.25</u>

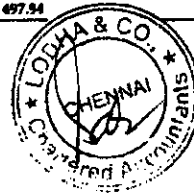


MUSIC WORLD RETAIL LIMITED
NOTES TO FINANCIAL STATEMENT

Rs. Lakhs

Ref

Ref		2011-12	2010-11
17	REVENUE FROM OPERATIONS		
	For the year ended March 31st,		
	Sales of products	3688.60	5161.69
	Less: Value Added Tax/ Sales tax	179.25	254.54
	Sales (Net)	3510.35	4907.15
		<u>3510.35</u>	<u>4907.15</u>
	Details of product Sold		
		<u>2011-12</u>	<u>2010-11</u>
	Traded goods sold		
	Audio	1327.19	1992.25
	Video	1526.18	2068.34
	Gaming & Accessories	836.23	1101.10
		<u>3688.60</u>	<u>5161.69</u>
18	OTHER INCOME		
	For the year ended March 31st,		
	Interest income	0.80	0.77
	Other non operating income (net of expenses directly attributable to such income)	113.46	237.99
		<u>114.26</u>	<u>238.76</u>
19	(INCREASE)/DECREASE IN STOCK IN TRADE		
	For the year ended March 31st,		
	Inventories at the beginning of the year		
	Traded goods	1148.18	1348.42
	Inventories at the end of the year		
	Traded goods	471.68	1148.18
	(INCREASE)/DECREASE IN STOCK IN TRADE	<u>675.50</u>	<u>200.23</u>
	Details of purchase of goods		
		<u>2011-12</u>	<u>2010-11</u>
	Traded goods purchased		
	Audio	704.73	1301.04
	Video	877.34	1475.42
	Gaming & Accessories	541.47	785.34
		<u>2123.74</u>	<u>3560.80</u>
	Imported and Indegenious goods Consumption		
	Imported	-	-
	Indegenious	2123.74	3560.80
	Total	<u>2123.74</u>	<u>3560.80</u>
20	EMPLOYEE BENEFITS EXPENSE		
	For the year ended March 31st,		
	Salaries, Wages and Bonus	443.92	623.38
	Contribution to Provident and Other Funds	37.39	32.85
	Staff Welfare Expenses	16.63	26.07
		<u>497.94</u>	<u>682.30</u>



21	FINANCE COSTS	2011-12	2010-11
	For the year ended March 31st,	<u>14.73</u>	<u>19.12</u>
	Bank charges and other financial charges	<u>14.73</u>	<u>19.12</u>

22	OTHER EXPENSES	2011-12	2010-11
	For the year ended March 31st,	<u>70.05</u>	<u>88.01</u>
	Power and Fuel	24.11	28.01
	Freight	650.89	856.70
	Rent ¹	30.84	42.07
	- Others	4.26	4.53
	Insurance	11.02	15.59
	Rates and taxes	6.57	14.81
	Advertisement and Selling Expenses	9.50	10.65
	Packing Materials Consumed	38.82	53.77
	Travelling and Conveyance	16.05	20.25
	Security Charges	10.50	10.50
	Auditor's remuneration ⁱⁱ	25.99	36.74
	Communication expenses	11.57	24.10
	Printing and Stationery	19.17	21.77
	Legal and consultancy charges	231.80	412.73
	Bad Debts/Irrecoverable Balances written off	75.67	77.88
	Provision for Doubtful Store Lease Deposits/ Advances	32.12	43.30
	House Keeping Expense	17.82	9.81
	Other Expenses	<u>1,288.75</u>	<u>1,774.22</u>

Leases

Operating Leases

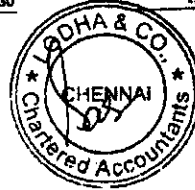
Retail Stores are taken by the Company generally on operating lease and the lease rent is payable as per the agreements entered with the lessors. Lease term is for varied years and renewable for further years as per the agreements at the option of the Company. There are no restrictions imposed by these lease agreements. Lease Rental payable are given below

	2011-2012	2010-2011
	Rs. Lakhs	Rs. Lakhs
Lease Payments for the year	650.89	856.70
Future Minimum Lease Payments -		
Not Later than one year	204.01	418.10
Later than one year but not later than five years	527.37	1,584.13
Later than five years	33.68	241.54

ii Remuneration to Auditors

	2011-12	2010-11
Audit fees	7.00	7.00
Tax Audit fees	3.50	3.50
	<u>10.50</u>	<u>10.50</u>
Service Tax	1.30	1.08

* Service tax on above included in Other Expenses



Note 1:

ABOUT THE COMPANY

The company was registered as a Public Limited Company in the State of West Bengal vide the certificate of registration dated 12 March 2008 issued by the Registrar of Companies, West Bengal under the name of Novel Choice Confectioners Retail Limited. The Registration Number of the company is U15411WB2008PLC124063. The registered office of the company is situated at 31, Netaji Subhas Road, Duncan House, Kolkata 700001. By the resolution passed by the members at their meeting held on 25 March 2009, the name of the company has been changed to Music World Retail Limited. The Company is presently engaged primarily in dealing, and trading of cassettes, compact discs and accessories and books.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Note 2:

SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India. These financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies Accounting Standard Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on and accrual basis. The accounting policies adopted in the preparation of the financial statement are consistent with those of previous year, except for the change in accounting policy explained below.

Presentation and Disclosure of Financial Statements

During the year ended 31st March 2012, the revised schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements of the Revised Schedule VI, applicable in the current year.



b) Use of Estimates

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

c) Fixed Assets

Fixed Assets are stated at historical cost. Cost comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure incurred in setting up of stores is capitalized as a part of Leasehold improvement.

d) Depreciation

Depreciation is charged on straight-line method at the rates prescribed under schedule XIV of the Companies Act 1956. Expenditure in respect of improvements etc carried out at the rented / leased premises are depreciated in 10 years. Depreciation on computer & software is charged at the rates applicable to computers.

e) Intangibles

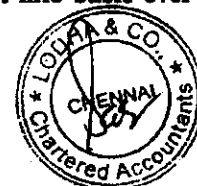
Goodwill & Computer Software are capitalized on the basis of the costs incurred to acquire and amortized over their estimated useful lives not exceeding 10 years and 6 years respectively.

f) Impairment

The carrying amount of assets is reviewed at each balance sheet date, if there is any indication of impairment based on the internal/ external factors. An impairment loss is recognized wherever the carrying amount of assets exceeds its recoverable amount. The recoverable amount is the greater of 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. For the purpose of assessing impairment, assets are regrouped at the lowest level, for which there are separately identifiable cash flows.

g) Leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating lease. Operating Lease payment is recognized as an expense in the Statement of Profit and Loss on straight line basis over the leased term.



b) Investment

Long term investments are carried at cost less provision for diminution in values which are other than temporary in nature.

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments and are valued at lower of cost and fair value.

i) Inventories

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

Packing materials are valued at cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale. Cost includes purchase price and other incidental expenses. Cost is arriving at under moving weighted average method.

j) 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.

Sale of goods

Revenue is recognized when significant risk and rewards of ownership of the goods get passed on to the buyers. VAT deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arises during the year.

Income from Recoveries and Services

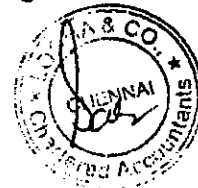
Income from recoveries and services mainly represents recoveries made on account of advertisement for use of space and other expenses charged from suppliers and are recognized and recorded based on the arrangements with concerned parties.

Interest

Revenue is recognized on a time proportionate basis taking into account the amount outstanding and rate applicable.

k) Foreign currency transactions

Foreign exchange transactions during the year are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss of the year.



Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date, the resultant exchange differences are recognized in the profit and loss account

l) Retirement and other Employee benefits

- a. Retirement benefits in the form of Provident & Superannuation Funds are defined contribution schemes and the contributions are charged to Statement of Profit and Loss of the year when the contributions to the respective funds are due.
- b. Gratuity liability is a defined benefit obligation and contribution, by way of premium is made to Life Insurance Corporation of India (L.I.C), under the Group Gratuity Scheme. Gratuity liability is provided for based on actuarial valuation on projected unit credit method at the end of each financial year.
- c. Long term compensated absences are provided for on the basis of actuarial valuation.
- d. Actuarial gains / losses are immediately taken to Statement of Profit & Loss and not deferred.

m) Income Taxes

- a) Provision for income taxes comprises of current taxes as also deferred taxes.
- b) Deferred Tax liability is recognized for the future tax consequences of the temporary differences between the tax basis and the carrying value of assets and liabilities. Deferred tax assets are recognized only if there is virtual certainty that they will be realized and are reviewed every year. The tax effect is calculated on the accumulated timing differences at the end of the year based on the enacted or substantially enacted taxes.

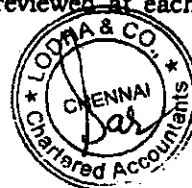
n) Earnings per share

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

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

o) Provisions

A provision is recognized when an 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 reasonable estimate can be made. Provisions are not discounted to its present value and are determined based on best 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 best estimates.



Note 23:

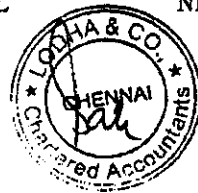
Other explanatory notes

1. Estimated amount of contracts remaining to be executed on capital Account net of advances - Rs. Nil; [FY 2010 - 11 Rs. Nil]
2. Remuneration to Auditors

	2011-12	2010-11
	Rs Lacs	Rs Lacs
Statutory Audit	7.00	7.00
Tax Audit	3.50	3.50
Other Services as Auditors	NIL	NIL
Service Tax on above *	1.30	1.08
	<u>11.80</u>	<u>11.58</u>

*Included in Other Expenses

	2011-12	2010-11
	Rs Lacs	Rs Lacs
3. Earnings in Foreign exchange	NIL	NIL
4. Expenditure in Foreign Currency	NIL	NIL
5. Value of Import Calculated on C.I.F. basis	NIL	NIL



6 OPERATING LEASES

Retail stores are taken by the Company generally on operating lease and the lease rent is payable as per the agreements entered with the lessors. Lease term is for varied years and renewable for further years as per the agreements at the option of the Company. There are no restrictions imposed by these lease agreements. Lease Rental payable are given below

		2011-12	2010-11
		Rs Lacs	Rs Lacs
Lease Payment for the year		650.89	856.70
Future Minimum Lease Payments			
Not later than one year		204.01	418.10
Later than one year but not later than five years		527.37	1584.13
Later than five years		33.68	241.54

7. Based on synergies, risk and returns associated with the business operations and in terms of Accounting Standard 17, the Company is predominantly engaged in a single reportable segment of "organized retailing" during the year.

The Company at present primarily operates in India and therefore analysis of geographical segment is not applicable to the Company.

8. The Company has incurred significant losses during the year. The Company having created a robust infrastructure for organized retail business is confident of generating positive cash flows and operational surplus in the near future with support from Holding Company and Promoters.

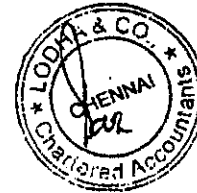


9. Earnings (Loss) per share

	2011-12 Rs Lacs	2010-11 Rs Lacs
Loss before exceptional items and tax	(1,602.06)	(1,715.16)
Weighted Average number of shares for Earning per share	500,0000	500,0000
Face Value per share Rs.	10.00	10.00
Earnings per share	(32.04)	(34.30)
Loss after exceptional items and tax	(2,581.58)	(1,719.75)
Weighted Average number of shares for Earning per share	500,0000	500,0000
Face Value per share Rs.	10.00	10.00
Earnings per share	(51.63)	(34.39)

10. Related Party Transaction

- a) Holding Company : Spencer's Retail Limited
b) Ultimate Holding Company : CESC Limited
c) Subsidiary of the Holding Company : Au Bon Pain Café India Limited
d) Other fellow subsidiary Companies : CESC Projects Limited
CESC Properties Limited
Metromark Green Commodities Private Limited
Bantal Singapore Pte Limited
CESC Infrastructure Limited
Haldia Energy Limited
Dhariwal Infrastructure Limited
Surya Vidyut Limited
Nalanda Power Limited
- e) Key Management Personnel : G.R. Srikkant, Manager



Related Party	Relationship	Nature of transaction	For the year ended 31.3.12	For the year ended 31.3.11
			Rs Lacs	Rs Lacs
CESC	Ultimate Holding company	Electricity Bill	22.81	16.02
Spencer's Retail Ltd	Holding Company	Sale of assets	3.61	
		Sale of Goods	48.60	76.14
		Rent paid	10.08	17.83
		Rent Received	35.50	26.21
		Deposit Refund	15.45	
		Commission Paid on sales	5.88	6.84
		Interest Free Loan from Holding Company	458.00	577.00
		Miscellaneous	1.76	1.76
CESC	Ultimate Holding company	Closing Balance (Debit)	1.89	1.89
Spencer's Retail Ltd	Holding Company	Closing Balance (Debit)	14.41	32.35
		Closing Balance (Credit)	1854.00	1396.00

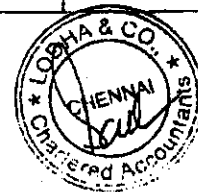
Note: No remuneration is being paid to the Key Management Personnel.

11. 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. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table summaries the components of net benefit expense recognized in the profit & loss account & the funded status and the amounts recognized in the balance sheet for plan.



Sr No	Description	31-03-2012	31-03-2011	31-03-2012	31-03-2011
		Gratuity Rs Lacs	Gratuity Rs Lacs	Leave Encashment Rs Lacs	Leave Encashment Rs Lacs
	Reconciliation of Opening and Closing balance of Obligation:				
1	Opening defined benefit obligation	18	29	13	17
2	Interest Cost	1	2	1	1
3	Current service cost	2	3	1	5
4	Benefits Paid	11	0	(12)	(12)
5	Actuarial (gain)/ loss	3	(16)	6	2
6	Closing defined benefit obligation	13	18	8	13
	Change in fair value of Plan assets:				
1	Opening Fair value of Plan Asset	7	9	-	-
2	Expected Return on Plan Assets	1	1	-	-
3	Benefits Paid	11		-	-
4	Actuarial gain/(loss) on Plan Asset	7	(3)	-	-
5	Closing Fair value of Plan Asset	3	7	-	-
	Reconciliation of fair value of plan assets and obligation:				
1	Closing Fair value of Plan	3	7	-	-



	Assets				
2	Closing Present value of obligation	13	18	-	-
3	Funded Status	(10)	(11)	-	-
4	Unrecognized Actuarial Gain / Loss at the end of the Year		-	-	-
5	Amount recognized in Balance Sheet	(10)	(11)	(8)	(13)
	Expenses recognized during the year:				
1	Current service cost	2	3	1	5
2	Interest Cost	1	2	1	1
3	Expected return on Plan Asset	1	1	-	-
4	Actuarial (gains)/loss	(4)	(14)	6	2
5	Expenses recognized during the year	(1)	(9)	8	7
	Assumptions:				
1	Discount rate (per annum)	8.5%	8.5%	8.5%	8.5%
2	Inflation rate	5%	5%	5%	5%
3	Estimated rate of return on plan assets (per annum)	8%	8.5%	-	-

The major categories of plan assets as a percentage of the fair value of total plan assets are
Investment with insurer 100%

12

- a) Pursuant to the order of Joint Commissioner (CT) (Audit) dt 22/03/2012, the sum of Rs 22.12 Lacs have been shown as receivable from Sales tax dept. Consequently the amount deposited as fixed deposit pursuant to high court order has been released & realized.



b) A notice for Demand of Rs 11.40 Lacs & Rs 6.75 Lacs was received from the Deputy Commissioner Commercial Taxes Sector-7 Noida on 20th December 2010, stating certain reporting issues in the returns filed for the April to June 2010 in the state of Uttar Pradesh. Revised returns for the same periods have already been filed & Rs 17.22 Lacs amount of Tax has been pre-deposited on 15th March 2011 & a further appeal in this matter has been filed on 28th March 2011 by the Company with appellate authority for the revocation of the initial order & refund of the pre-deposited tax. On 16th Feb 2012 the Company received the order from the appellate authority under appeal no: 391/11,392/11, 393/11 for re-assessment of the disputed period.

13. There are no micro, small and medium enterprises, to whom the company owes dues, which are outstanding for more than 45 days as at 31.03.12. This information as required to be disclosed under the Micro, Small and Medium Enterprise Developments Act, 2006 has been determined to the extent such parties have been identified on the basis of the information available with the division.

14. A scheme of amalgamation of the company with effect from January 1, 2012 based on the fair value of assets & liabilities, with M/s Spencers Retail Ltd. has been filed on 17.2.2012 with the Hon'ble High Court at Kolkata, which is pending as on date for clearance from ROC/Regional Director, Eastern Region. Consequently, the Advance against Equity received from the Holding Company ie. Spencers Retail Limited, has been converted into Interest free Loan during the year.


Pending approval of the scheme, no fair valuation was carried out during the year, of the assets and liabilities including goodwill impairment, if any.

15. The Company was using Pre-Revised Schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statement for the previous year's figure till the year ended March 31st, 2011. During the year ended March 31st, 2012, the Revised Schedule VI notified under Companies Act, 1956 has become applicable to the Company. The Company has reclassified previous year's figures to confirm this years classifications.

Vide our report of even date

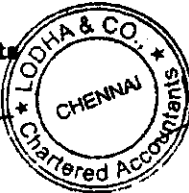
LODHA & CO

Chartered Accountants


G. Subramania Sarma
Partner

Membership No.021756

Firm Reg. No. FRN: 301051E



For and behalf of the Board


Director


Director


Manager

Place: Kolkata

Date: 19-MAY-2012