

To the Members of Grace Home Fashion LLC

This report presented by your Directors in respect of Financial year ended on 31.03.2017 has been made out for the limited purpose of annexing with the Balance Sheet of the Holding Company (incorporated in India) in terms of section 129(1) of Indian Companies Act, 2013 read with section 129(3) of relevant statute.

Pursuant to section 129 (3) of Indian Companies Act, the Balance Sheet of Grace Home Fashion LLC (hereby called body corporate) as on 31st March, 2017 and the Statement of Profit & Loss for the year ended on that date dealt with by this report have also been made out in accordance with the requirement of Indian Companies Act 2013, which have been certified by an Indian firm of Chartered Accountants thereby making out the audit report thereof in accordance with the requirement of Indian Companies Act, 2013.

The Financial results of the body corporate drawn in accordance with Indian Companies Act are as follows:

	(Rs. In Cr)	
	<u>2017-16</u>	<u>2014-15</u>
Income	203.22	177.91
Profit/(Loss) After Tax	(6.69)	(0.14)
Add: Profit/(Loss) brought forward	0.29	0.43
Balance carried over to Balance Sheet	(6.40)	0.29

DIVIDEND

The Directors are unable to declare dividend.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION OF FOREIGN EXCHANGE EARNINGS AND OUTGO

This being an entity incorporated in USA and engaged in Trading activities particulars on conservation of energy, technology absorption, foreign exchange earning and outgo are contextually irrelevant herein.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, the Directors confirm that:-

- i) These Accounts have been prepared as per Accounting Standards referred to u/s 133 of the Indian Companies Act, 2013 and other Generally Accepted Accounting Principles followed in India.
- ii) The Accounting Policies selected and judgement / statements made are reasonable and prudent so as to give true and fair view of the state of affairs of the body corporate as at 31.03.2017 and of the Loss of the body corporate for year ended on that date.
- iii) Proper & sufficient care has been taken care for the maintenance of accounting records as required under statute for safeguarding the assets of the body corporate and for preventing and detecting fraud and other irregularities.
- iv) These accounts have been prepared on a going concern basis.

For and on behalf of the Board

Date: 20th May 2017

Place: New Delhi

Director

Director

FIT FOR CONSOLIDATION (FFC) AUDIT REPORT

FFC Report of Grace Home Fashion LLC to Auditors of GHCL Limited (Parent Company)

1. We have examined the attached balance sheet of M/s Grace Home Fashion LLC in United States Dollars as at 31st March 2017, and also the profit & loss account for the year ended as on that date and other reconciliations and information. There is no requirement under the laws of the United States of America for the entity to have its financial statements audited. The said accounts were converted into the reporting currency of GHCL Limited (Parent Company) i.e. INR (all collectively referred to as the Fit for Consolidation (FFC) Accounts. These accounts are the responsibility of the entity's management. Our responsibility is to express an opinion on these FFC accounts 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 a reasonable assurance about whether FFC Accounts are free of material misstatement. An audit includes examining on a test check basis, evidence supporting the amounts and disclosures in the FFC Accounts. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall FFC Accounts presentation. We believe that our audit provides a reasonable basis for our opinion.
3. These FFC Accounts have been prepared solely to enable GHCL Limited (Parent company) to prepare its consolidated financial statements in accordance with the requirements of Indian Accounting Standard (Ind AS) 110 "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India and not to report on the Grace Home Fashion LLC as a separate entity. Accordingly, these FFC Accounts are not intended to present a true & fair view of the balance sheet of Grace Home Fashion LLC as at 31st March, 2017 and of the result of operations for the year ended on that date in accordance with generally accepted principles in India.
4. However, in our opinion, these FFC Accounts have been prepared, in all material respects, in conformity with accounting policies of GHCL Limited (Parent company) and are suitable for inclusion in the consolidated financial statements of GHCL Limited (Parent company) prepared in accordance with the requirements of Indian Accounting Standard (Ind AS) 110 "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.

5. This report is intended solely for the use of Auditors in connection with the audit of the consolidated financial statements of GHCL Limited (Parent Company) and should not be used for any other purpose.

For RAHUL GAUTAM DIVAN & ASSOCIATES
Chartered Accountants
(Firm's Registration Number: 120294W)

RAHUL DIVAN
Partner
Membership Number: 100733

Place : Mumbai
Date : xx May 2017

Grace Home Fashions LLC
Balance Sheet as at March 31, 2017
(INR in crores)

Particulars	Note No.	Balance as at March 31, 2017	Balance as at March 31, 2016
I. Assets			
(1) Non-current assets			
(a) Property, plant and equipment	3	2.01	1.69
(2) Current assets			
(a) Inventories	4	75.08	95.68
(b) Financial assets			
(i) Trade receivables	5	27.96	23.30
(ii) Cash and cash equivalents	6	3.00	1.71
(iii) Other current assets	7	3.02	3.71
Total assets		<u>111.07</u>	<u>126.09</u>
II. Equity and Liabilities			
Equity			
(a) Equity share capital	8	0.04	0.04
(b) Other equity	9	(6.40)	0.29
Liabilities			
(1) Current liabilities			
(a) Financial liabilities			
(i) Short term borrowings		32.60	39.85
(ii) Trade payables	10	76.83	85.91
(iii) Other current financial liabilities			
(b) Other current liabilities	11	8.01	-
Total equity and liabilities		<u>111.07</u>	<u>126.09</u>

The accompanying notes are Internal part of the financial statements.

As per report of even date

For Rahul Gautam Divan & Associates

Chartered Accountants

ICAI Firm Registration No. 120294W

For and on behalf of the Board of Directors

per Rahul Divan

Partner

Membership No. 100733

R. S. Jalan

Managing Director

Raman Chopra

CFO & Executive

Director-Finance

Place : New Delhi

Date:20/05/2017

Place : New Delhi

Date:20/05/2017

Grace Home Fashions LLC
Statement of Profit and Loss for the year ended March 31, 2017
(INR in crores)

Particulars	Note No.	Total	Total
		For the year ended March 31, 2017	For the year ended March 31, 2016
I. Revenue from Operations	12	203.22	177.91
II. Other income			
III. Total Income (I+II)		203.22	177.91
IV. Expenses			
Cost of materials consumed		-	-
Purchase of stock in trade		173.38	185.50
Changes in inventories of finished goods, stock-in-trade and work-in-progress	13	20.60	(25.61)
Excise duty on sale of goods		-	-
Employee benefit expenses		-	-
Finance costs		-	-
Depreciation and amortization expense	3	0.01	0.01
Other expenses	14	17.53	12.20
Foreign Exchange Loss/ (Profit) on Conversion into INR		(1.66)	5.10
Total expenses (IV)		209.86	177.19
V. Profit / (loss) before exceptional items and tax (III-IV)		(6.63)	0.71
Exceptional items			
VI. Profit / (loss) before tax		(6.63)	0.71
VII. Tax expense:			
(1) Current tax		0.06	0.85
(2) Deferred tax			
VIII. Profit / (loss) for the period (VI-VII)		(6.69)	(0.14)
IX. Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement losses on defined benefit plans			
Income tax effect			
Re-measurement of investment in equity			
Income tax effect			
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
X. Total Comprehensive income for the period (VIII + IX)		(6.69)	(0.14)
XI. Earnings per equity share			
Basic		(89.19)	(1.84)

The accompanying notes are Internal part of the financial statements.

As per report of even date

For Rahul Gautam Divan & Associates

Chartered Accountants
ICAI Firm Registration No. 120294W

per Rahul Divan
Partner
Membership No. 100733

Place : New Delhi
Date:20/05/2017

For and on behalf of the Board of Directors

R. S. Jalan
Managing Director

Raman Chopra
CFO & Executive
Director-Finance

Place : New Delhi
Date:20/05/2017

Grace Home Fashions LLC
Statement of Cash Flows for the year ended March 2017
(INR in crores)

Particulars	For the year ended March 31, 2017	For the year ended March 31,
Profit before tax	(6.69)	(0.14)
Adjustments for:		
Depreciation/amortisation	0.01	0.01
Finance cost		
Operating profit/(loss) before working capital changes	(6.68)	(0.13)
Movement in working capital		
Decrease in trade receivables	(4.66)	31.14
Decrease in inventories	20.60	(25.61)
Decrease in other current assets	0.69	-
(decrease) in trade payables	(9.08)	(5.44)
Increase in other current liabilities	8.01	
Increase in provisions		
Cash generated from operations	8.87	(0.04)
Direct taxes paid (net of refunds)		
Payment on account of VRS		
Net cash generated from operating activities	8.87	(0.04)
Cash flow from investing activities		
Purchase of fixed asset including CWIP and capital advances	(0.33)	(0.17)
Net cash used in investing activities	(0.33)	(0.17)
Cash flow from financing activities		
Short term Borrowing	(7.25)	
Interest paid		
Net cash generated from financing activities	(7.25)	
Net (decrease) / increase in cash and cash equivalents	1.29	(0.21)
Cash and cash equivalents at the beginning of the year	1.71	1.92
Cash and cash equivalents at the end of the year	3.00	1.71
Components of cash and cash equivalents		
Cash and cheques on hand	-	-
Balances with banks:		
- On current accounts	3.00	1.71
Total cash and cash equivalents (note 11)	3.00	1.71

Notes:

1. The cash flow statement has been prepared under the indirect method as set out in the Ind AS 7 "Statement of Cash Flows".

The accompanying notes are Internal part of the financial statements.

As per report of even date

For Rahul Gautam Divan & Associates

Chartered Accountants

ICAI Firm Registration No. 120294W

For and on behalf of the Board of Directors

per Rahul Divan

Partner

Membership No. 100733

R. S. Jalan

Managing Director

Raman Chopra

CFO & Executive

Director-Finance

Place : New Delhi

Date:20/05/2017

Place : New Delhi

Date:20/05/2017

Grace Home Fashions LLC
Statement of changes in equity for the year ended March 31, 2017
(INR in crores)

A. Equity Share Capital

Equity Shares of INR 10 each issued, subscribed and fully paid up

	<u>Number</u>	<u>INR</u>
Balance as at April 1, 2015	7,500	0.04
Changes in share capital during the year		
Balance as at March 31, 2016	<u>7,500</u>	<u>0.04</u>
Changes in share capital during the year		
Balance as at March 31, 2017	<u>7,500</u>	<u>0.04</u>

B. Other Equity

	<u>FVTOCI Reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at April 1, 2015		0.43	0.43
Profit for the period		(0.14)	(0.14)
Balance as at March 31, 2016	-	0.29	0.29
Balance as at April 1, 2016		0.29	0.29
Profit for the period	-	(6.69)	(6.69)
Balance as at March 31, 2017	-	(6.40)	(6.40)

The accompanying notes are Internal part of the financial statements.

As per report of even date

For Rahul Gautam Divan & Associates

Chartered Accountants

ICAI Firm Registration No. 120294W

For and on behalf of the Board of Directors

per Rahul Divan

Partner

Membership No. 100733

R. S. Jalan

Managing Director

Raman Chopra

CFO & Executive Director-Finance

Place : New Delhi

Date:20/05/2017

Place : New Delhi

Date:20/05/2017

GRACE HOME FASHION LLC

(Incorporated in United States Of America)

NOTE 1 & 2 : NOTES ON ACCOUNTS

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation of Financial Statements

The books of account of the company are maintained in US Dollars . The financial statements have been prepared in accordance with the local laws in United States Of America. The same have been translated into Indian Currency and reclassified in accordance with the Schedules III of the Companies Act, 2013 of India for the specific purpose of consolidation with the Indian Holding Company, GHCL Limited.

1.2 Use of Estimates

The preparation of financial statements is in conformity with the accounting principles generally accepted in the USA. which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

1.3 Foreign Currency Transactions

The functional currency of the Company is US Dollar (USD). Accounts of the body corporate incorporated in USA, have been made out in accordance with the US laws and the same have been translated to INR as per Schedule III of the Companies act, 2013. This requires drawing up the Balance Sheet, Statement of Profit & Loss, and Cash Flows Statement in a manner so as to make it appear conforming to the requirements of Schedule III of the Companies Act, 2013.

1.4 Translation of accounts of the body corporate from the currency of the country of its incorporation (USD) to INR:

Unsecured loans, current assets and current liabilities are translated to INR at the exchange rates ruling at the year end. Equity share capital and other equity has been recognized in the accounts at the exchange rate ruling at the time of their issuance. Income and expenses have been recognized in the accounts on the basis of average of daily closing exchange rates ruling from beginning till the end of the period. The resultant difference is disclosed as exchange gain/loss on INR conversion in the Statement of Profit & Loss

- Revenue Recognition
- EPS

2 NOTES ON ACCOUNTS

2.1 Sales

Sales are exclusive of trade discount/rebate and taxes.

2.2 Related Party Transactions:

GHCL Ltd

Dan River Properties LLC

The following subsidiaries are not considered related parties since they are in Liquidation/dissolved and GHCL Ltd (Ultimate Holding Company) does not currently exercise significant influence over these companies :

Textile & Design Limited (under Liquidation since 25th September, 2009)

Rosebys Interiors India Limited (under Liquidation since 7th August ,2015)

Disclosure of transactions between the Company and related parties and the status of outstanding balances as 31st March, 2017

Type of Transactions	Having Significant Influence	Current Year		Previous Year	
		Holding Company	Subsidiaries	Holding Company	Subsidiaries
Balances as on 31st March , 2017					
- Investment	NIL	0.04		0.04	
- Trade Payable		76.83		85.91	

- 2.3 Accounts of Grace Home Fashion LLC a body corporate (a subsidiary of GHCL Ltd (100% holding, incorporated in india), a company incorporated in USA have been made out as per requirement of Indian Companies Act in due adherences of sub section 3 of section 129 Companies Act, 2013.
- This entailed drawing up the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement of the subsidiary in a manner so as to make it conforming to the requirements of the Companies Act, 2013, for the purpose of annexing the particulars of the body corporate with its ultimate holding company under section 129 of the Companies Act, 2013.

Modification of accounts predominantly related to:

(a) Translation of treatment of various heads of accounts in terms of the Companies (Accounting Standards) Rules, 2014 read with accounting policy of parent company, the latter being embarked upon to facilitate the cause of consolidation with the holding company as required under IND-AS

(b) Presentation of accounts in terms of Schedule III of the Companies Act, 2013, including disclosure of necessary information as laid down under section 133 of the Companies Act, 2013.

- 2.4 Dues to units registered under Micro, Small and Medium Enterprises in India - Not Applicable
- 2.5 The Previous year's / period's figures have been regrouped to be the in conformity with the Schedule III of the Companies Act 2013

Signature to Notes 1 & 2

The accompanying notes are Internal part of the financial statements.

As per report of even date
For Rahul Gautam Divan & Associates

Chartered Accountants
ICAI Firm Registration No. 120294W

For and on behalf of the Board of Directors of

per Rahul Divan
Partner

R. S. Jalan Raman Chopra
Managing Director CFO & Executive Director-Finance

3 Property, Plant and equipment

	Office Equipment	Furniture and Fixtures	Total
As at April 1, 2016	0.18	2.37	2.55
Additions		0.33	0.33
Disposals			-
Exchange differences			-
Revaluations recognized in OCI			-
As at March 31, 2017	0.18	2.70	2.89

Depreciation

	Office Equipment	Furniture and Fixtures	Total
As at April 1, 2016	0.14	0.73	0.87
Depreciation charge for the year	0.00	0.01	0.01
Disposals			-
Exchange differences			-
As at March 31, 2017	0.14	0.74	0.87

Net book value

	Office Equipment	Furniture and Fixtures	Total
As at March 31, 2017	0.05	1.96	2.01
As at March 31, 2016	0.05	1.64	1.69

Net book value

	31-Mar-17	31-Mar-16
Property, plant and equipment	2.01	1.69
Capital work in progress	-	-

Deemed cost

Under the India GAAP, property, plant and equipment were being carried at their carrying value. The Company has elected to regard those values as deemed cost at the date of transition since they were broadly comparable to fair value.

Grace Home Fashions LLC
Notes to the Ind AS Financial statements as on March 31, 2017
(INR in crores)

4 Inventories

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Finished Goods	75.08	95.68
*[includes in transit Rs. NIL (At 31 March 2016: NIL)]		
Total inventories at the lower of cost and net realisable value	<u>75.08</u>	<u>95.68</u>

During the year ended March 31,2017, NIL (At 31 March 2016: NIL) was recognized as expense.

5 Trade receivables

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Trade receivables	27.96	23.30
Total trade receivables	<u>27.96</u>	<u>23.30</u>

Break-up for security details:

Trade receivables

Secured, considered good	-	-
Unsecured, considered good	27.96	23.30
Doubtfull	-	-
	<u>27.96</u>	<u>23.30</u>

Impairment allowance (allowance for bad and doubtfull debts)

Unsecured, considered good	-	-
Doubtfull	-	-
	<u>27.96</u>	<u>23.30</u>

Total trade receivables	<u>27.96</u>	<u>23.30</u>
Long term trade receivables	-	-
Current trade receivables	<u>27.96</u>	<u>23.30</u>

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firm or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are non-interest bearing and are generally on terms of 45 to 90 days.

6 Cash and cash equivalent

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Balances with bank	3.00	1.71
Cash on hand	-	-
Total cash and cash equivalents	<u>3.00</u>	<u>1.71</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Balances with bank	3.00	1.71
Cash on hand	-	-
	<u>3.00</u>	<u>1.71</u>

7 Other current assets

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Advances recoverable in cash or kind	3.02	3.71
Total other current assets	<u>3.02</u>	<u>3.71</u>

8 Share capital

Authorised Share Capital

	Number	Amount
		In crores
At April 1, 2016	10,000	0.05
Increase / (decrease) during the year	-	-
At March 31, 2017	10,000	0.05

Terms / rights attached to equity shares

The Company has one class of equity shares having a par value of \$1 per share

Issue Equity Capital

	Number	Amount
	In crores	In crores
Equity shares of USD 1 each issued, subscribed and fully paid		
As at April 1, 2016	7,500	0.04
Changes during the period	-	-
At March 31, 2017	7,500	0.04

	March 31, 2017	March 31, 2016
Shareholder's holding more than 5 % Shares - GHCL Limited	100%	100%

As per the records of the Company, including its register of shareholders/members and others declarations received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership of shares.

9 Retained earnings

As at April 1, 2016	0.29
Changes during the period	(6.69)
At March 31, 2017	(6.40)

Grace Home Fashions LLC

Notes to the Ind AS Financial statements as on March 31, 2017

(INR in crores)

10 Trade payables

	March 31, 2017	March 31, 2016
Trade payables for Goods and Expenses		
Trade payables - Micro, Small & Medium Enterprises *	-	-
Others - Holding Company	76.83	85.91
	76.83	85.91

* There are no interests due or outstanding to Micro, Small and Medium Enterprises beyond the due date.

Trade payables are non-interest bearing and are normally settled on around 90 days terms

11 Other current liabilities

	March 31, 2017	March 31, 2016
Others	8.01	-
	8.01	-

Balance Sheet as at March 31, 2017

Notes to the Ind AS Financial statements as on March 31, 2017

(INR in crores)

Revenue for operations	Note no	March 31, 2017	March 31, 2016
Sale of products	12	203.22	177.91
Total sales products		203.22	177.91
Total		203.22	177.91
Changes in inventories of finished goods, stock-in-trade and work-in-progress	13	March 31, 2017	March 31, 2016
Opening stock			
Stock in trade		95.68	70.06
		95.68	70.06
Closing stock			
Stock in trade		75.08	95.68
		75.08	95.68
Changes in inventories of finished goods, stock-in-trade and work-in-progress		20.60	(25.61)
Other expenses	14	March 31, 2017	March 31, 2016
Travelling & Conveyance		0.14	0.00
Rent and Lease Rent		0.88	0.74
Insurance		0.27	0.24
Communication Expenses		0.08	0.20
Legal & Professional Expenses		2.61	1.42
Advertisement expences		0.02	0.11
FACTORING COMMISSION		0.83	0.85
FACTORING INTEREST		2.19	1.90
Factoring Charges		(0.13)	0.25
Software & EDI Expenses		0.21	0.23
Miscellaneous Expenses		0.74	0.54
Rent on Godowns & Shipment Cost		5.10	2.00
Commission On Sales		4.58	3.71
		17.53	12.20