

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESTIGE ESTATES PROJECTS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **PRESTIGE ESTATES PROJECTS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matter

We draw attention to Note 40 to the financial statements. As stated therein, Trade receivables outstanding for more than six months from the date on which they were due include an amount of Rs. 11,073 lakhs relating to dues from certain parties which have been considered good and recoverable by the Management, inter alia, based on the continuing business relationships and arrangements that the Company has with these parties.

Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) 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.
 - (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 Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.



- (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2014 in terms of General Circular 15/2014 dated 13th September, 2014 of the Ministry of Corporate Affairs).
- (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 008072S)



V. Balaji
Partner
(Membership No. 203685)

Bangalore, 26th May, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 on Report on Other Legal and Regulatory Requirements of our report of even date)

- (i) Having regard to the nature of the Company's business / activities / results during the year, clauses (vi), (xii), (xiii), (xiv), (xix) and (xx) of paragraph 4 of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, other than with regard to assets which are part of the premises given on lease by the Company where quantitative details have not been updated in the Fixed Assets Register.
 - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) The inventories held by the Company comprise stock of units in completed projects and work in progress of projects under development. In respect of its inventories:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, having regard to the nature of inventory, the procedures of physical verification by way of verification of title deeds, site visits by the Management and are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

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(iv) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act 1956, according to the information and explanations given to us:

- (a) The Company has granted loans aggregating Rs 38,207 lakhs to 10 parties during the year. At the year-end, the outstanding balances of such loans granted aggregated Rs. 32,968 lakhs (including interest accrued) (number of parties - 12) and the maximum amount involved during the year was Rs. 58,384 lakhs (including interest accrued) (number of parties - 12).
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interest of the Company.
- (c) In the absence of stipulations, we are unable to comment on the regularity of the receipts of principal amounts and interest.
- (d) The loans granted are repayable on demand and there are no overdue amounts outstanding as at the year end.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

- (a) The Company has taken loans aggregating Rs. 14,161 lakhs from 5 parties during the year. At the year-end, the outstanding balances of such loans taken aggregated Rs. 2,718 lakhs (including interest accrued) (number of parties - 5) and the maximum amount involved during the year was Rs. 14,957 lakhs (including interest accrued) (number of parties - 9).
 - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie*, not prejudicial to the interest of the Company.
 - (c) In the absence of stipulations, we are unable to comment on the regularity of the payments of principal amounts and interest.
- (v) According to the information given to us and having regard to the explanation that the business of the Company includes purchase of land and other immovable properties where there is probability of claims regarding title to such properties, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of units of projects and supply of services.

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- (vi) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction (excluding loans reported under paragraph (iv) above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are, *prima facie*, reasonable having regard to the prevailing market prices at the relevant time.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us, in respect of statutory dues:
- (a) Other than the delays in depositing dues relating to Provident Fund, Service Tax and Income Tax deducted at source, the Company has generally been regular in depositing undisputed statutory dues, including Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) Details of undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable are given below:

Name of statute	Nature of the dues	Amount (Rs. lakhs)	Period to which the Amount Relates (F Y)	Due Date
Finance Act, 1994	Interest on delayed payment of Service tax	16.42	2013-14	August 06, 2013
Income Tax Act, 1961	Interest on delayed remittance of Taxes deducted at source	13.62	2013-14	July 15, 2013

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- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, and Cess which have not been deposited as on 31st March , 2014 on account of disputes are given below:

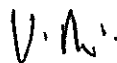
Name of statute	Nature of the dues	Amount involved (Rs. lakhs)	Period to which the amount relates (F.Y.)	Forum where dispute is pending
Finance Act, 1994	Service tax, interest and penalties	65.93	2000 – 01 to 2004 – 05	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service tax	563.29	2007-08	High Court of Karnataka
Karnataka Value Added Tax Act	Value added tax and Interest	592.35	2007 to 2010	Deputy Commissioner of Commercial Taxes, Bangalore
Kerala Value Added Tax Act	Value added tax and Interest	124.23	2008 – 09 to 2013-14	Deputy Commissioner (Appeals) Ernakulum
Kerala Value Added Tax Act	Value added tax and Penalty	114.51	2009-10	High Court of Kerala
Income Tax Act, 1961	Income tax deducted at source	99.83	2013-14	Commissioner of Income Tax (Appeals), Bangalore

- (x) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information, explanations and confirmations given by financial institutions and banks, the Company has not defaulted in the repayment of dues to financial institutions and banks. The Company has not issued any debentures.
- (xii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, *prima facie*, prejudicial to the interests of the Company.

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- (xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.
- (xiv) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xv) According to the information and explanations given to us, 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.
- (xvi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 008072S)



V. Balaji
Partner
(Membership No. 203685)

Bangalore, 26th May, 2014