Dharti Madrid County LLP

Financial statements together with the Independent Auditors' Report for the year ended 31 March 2014

Dharti Madrid County LLP

Financial statements together with the Independent Auditors' Report

for the year ended 31 March 2014

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B S R and Co
Chartered Accountants

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Independent Auditors' Report

To the Designated Partners of Dharti Madrid County LLP

Report on the Financial Statements

We have audited the accompanying financial statements of Dharti Madrid County LLP ("the LLP"), which comprise the Statements of Assets and Liabilities as at 31 March 2014 and the Statement of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the LLP in accordance with the Accounting Standards issued by Institute of Chartered Accountants of 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.

Auditor's 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 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 LLP'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 entity`s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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.

Independent Auditors' Report – 31 March 2014 *(Continued)*

Dharti Madrid County LLP

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 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 Statement of Assets and Liabilities, of the state of affairs of the LLP as at 31 March 2014; and

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. Further, 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 purpose of our audit;

    (b) In our opinion proper books of account as required by law have been kept by the LLP so far as appears from our examination of those books;

    (c) The Statement of Assets and Liabilities and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;

    (d) In our opinion, the Statement of Assets and Liabilities and Statement of Profit and Loss comply with the Accounting Standards to the extent applicable issued by the Institute of Chartered Accountants of India (ICAI);

For **B S R and Co**
Chartered Accountants
Firm's Registration No: 128510W

Sukrut Mehta
Partner
Membership No: 101974

Ahmedabad
25 September 2014

Dharti Madrid County LLP

Statement of Assets and Liabilities

as at 31 March 2014

(Currency : Indian rupees)

	Schedule	2014	2013
CONTRIBUTION AND LIABILITIES			
Partners' fund			
Partners' contribution	1	**100,100,000**	100,100,000
Balance as per Statement for Profit and Loss		**60,899,991**	5,043,462
Total		**160,999,991**	105,143,462
ASSETS			
Fixed assets	2		
Gross block		**761,860**	643,610
Less : depreciation		**513,310**	360,565
Net block		**248,550**	283,045
Investments	3	**187,662,115**	20,000
Current assets, loans and advances			
Inventories	4	**650,155,110**	442,505,685
Cash and bank balances	5	**121,600,474**	46,565,045
Loan and advances	6	**10,203,902**	4,676,195
		781,959,486	493,746,925
Less : Current liabilities and provision			
Liabilities	7	**808,797,925**	386,742,870
Provision	8	**72,235**	2,163,638
		808,870,160	388,906,508
Net current assets		**(26,910,674)**	104,840,417
Total		**160,999,991**	105,143,462
Significant accounting policies	13		

Schedules referred to above form an integral parts of financial statements.

As per our report of even date attached.

For **B S R and Co**
Chartered Accountants
Firm Registration No. : 128510W

Sukrut Mehta
Partner
Membership No. 101974

Ahmedabad
25 September 2014

For Dharti Madrid County LLP

Rakesh Israni
Designated Partner

Ahmedabad
25 September 2014

Chaital Bhatt
Designated Partner

Vadodara

Dharti Madrid County LLP

Statement of Profit and loss
for the year ended 31 March 2014

(Currency : Indian rupees)

	Schedule	**For the year ended 31 March 2014**	For the year ended 31 March 2013
INCOME			
Sales of properties		**387,195,866**	114,686,384
Other income	9	**5,504,584**	501,295
		392,700,450	**115,187,679**
EXPENSES			
Cost of sales		**277,098,756**	81,427,028
Employee benefits	10	**3,043,978**	2,587,955
Other expenses	11	**26,863,620**	22,775,187
Depreciation	2	**152,745**	255,119
Prior period	12	-	250,000
		307,159,099	107,295,289
Profit before tax		**85,541,351**	7,892,390
Tax expenses			
- Current tax		**29,500,000**	2,151,611
- Tax for earlier years		**184,822**	-
Profit after tax		**55,856,529**	5,740,779
Balance brought forward		**5,043,462**	(697,317)
Transferred to balance sheet		**60,899,991**	5,043,462
Significant accounting policies	13		

Schedules referred to above form an integral parts of financial statements.

As per our report of even date attached.

For **B S R and Co**
Chartered Accountants
Firm's Registration No: 128510W

Sukrut Mehta
Partner
Membership No. 101974

Ahmedabad
25 September 2014

For Dharti Madrid County LLP

Rakesh Israni
Designated Partner

Ahmedabad
25 September 2014

Chaital Bhatt
Designated Partner

Vadodara

Dharti Madrid County LLP

Schedules to the financial statements *(Contnued)*
for the year ended 31 March 2014

(Currency : Indian rupees)

	2014	2013
1 Partners' contribution		
a) Fixed capital		
Pacifica Infraspace LLP	**50,000**	50,000
Chaital Rashmikant Bhatt	**8,333**	8,333
Geeta Rashmikant Bhatt	**8,335**	8,335
Nikita Chaital Bhatt	**8,333**	8,333
Pratima Sunilbhai Patel	**7,333**	7,333
Rashmikant Jayashankar Bhatt	**8,333**	8,333
Riddhi Rashmikant Bhatt	**8,333**	8,333
Sunil Patel	**1,000**	1,000
	100,000	100,000
b) Fluctuating capital		
Capital contribution		
Pacifica Infraspace LLP	**100,000,000**	100,000,000
	100,000,000	100,000,000
	100,100,000	100,100,000

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Commerce House V
Ahmedabad - 380 051

Dharti Madrid County LLP

Schedules to the financial statements *(Contnued)*

for the year ended 31 March 2014

(Currency : Indian rupees)

2 Fixed assets

Description of assets	Gross block				Depreciation				Net block	
	As at 1 April 2013	Additions	Deletions	As at 31 March 2014	As at 1 April 2013	For the period	On deletion	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
Office equipments	156,376	57,825	-	214,201	52,561	22,159	-	74,720	139,481	103,815
Computers	221,805	60,425	-	282,230	152,775	64,466	-	217,241	64,989	69,030
Computer software	265,429	-	-	265,429	155,229	66,120	-	221,349	44,080	110,200
Total	643,610	118,250	-	761,860	360,565	152,745	-	513,310	248,550	283,045
Previous year	308,181	335,429	-	643,610	105,446	255,119	-	360,565	283,045	

B S R and Co ★ Chartered Accountants ★ Commerce House 4, 8th Floor, 907 & 908, Near Vodafone House, Corporate Road, Prahlad Nagar, Ahmedabad - 380 051

(Currency : Indian rupees)

		2014	2013
3	**Investments**		
	Investment in government securities	**20,000**	20,000
	Investment in Pacifica Lakeside Developers LLP		
	- Fixed capital (72.5% of the total capital)	**724,999**	-
	- Fluctuating capital	**186,917,116**	-
		187,662,115	20,000
4	**Inventories** *(At cost or net realisable value, whichever is lower)*		
	Opening construction work in progress	**442,505,685**	153,897,759
	Additons during the year:		
	Cost of land development rights	**162,400,000**	113,900,000
	Construction cost (includes consumption of building material and labour cost)	**303,822,193**	221,582,247
	Plan sanction fees	**-**	19,689,476
	Employee benefit expenses	**8,760,667**	5,047,509
	Project administrative charges	**3,987,109**	3,393,195
	Consultancy charges	**4,978,212**	5,333,647
	Professional fees	**800,000**	1,088,880
		927,253,866	523,932,713
	Less : amount transferred to cost of sales	**(277,098,756)**	(81,427,028)
		650,155,110	442,505,685
5	**Cash and bank balances**		
	Cash on hand	**125,413**	38,329
	Balance with banks		
	Current accounts	**61,543,095**	45,118,104
	Fixed deposit accounts with banks	**59,931,966**	1,408,612
		121,600,474	46,565,045
6	**Loan and advances** *(Unsecured, considered good)*		
	Advance to suppliers	**7,676,704**	3,507,072
	Security deposits	**1,314,947**	640,465
	Advance tax (net of provision Rs : 29,500,000 (previous year : Rs Nil))	**672,619**	-
	Advance to employees	**83,900**	2,700
	Balance with government authorities	**455,732**	423,264
	Prepaid expenses	**-**	102,694
		10,203,902	4,676,195

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Chartered Accountants

(Currency : Indian rupees)

7 Liabilities

	2014	2013
Trade payables*	**30,200,430**	13,393,968
Retention money payable	**11,278,202**	5,470,762
Advances received from the customers	**763,305,218**	365,117,060
Employee benefits payable	**1,008,364**	675,997
Statutory dues payables	**1,841,892**	1,850,231
Provison for expense	**1,163,819**	234,852
	808,797,925	386,742,870

* for dues to micro and small suppliers, refer schedule 14

8 Provision

	2014	2013
Provision for gratuity	**72,235**	72,235
Provison for taxation (net of advance tax Rs : Nil (previous year : Rs. 60,208))	-	2,091,403
	72,235	2,163,638

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Chartered Accountants

Dharti Madrid County LLP

Schedules to the financial statements *(Continued)*
for the year ended 31 March 2014

(Currency : Indian rupees)

		2014	2013
9	**Other income**		
	Interest on fixed deposits with banks	**4,995,562**	446,295
	Interest on income tax refund	**772**	-
	Scrap sales	**397,000**	55,000
	Miscelleneous income	**111,250**	-
		5,504,584	501,295
10	**Employee benefits**		
	Salaries and wages	**2,868,198**	2,226,092
	Staff welfare expenses	**175,780**	361,863
		3,043,978	2,587,955
11	**Other expenses**		
	Auditors' remuneration	**153,291**	150,000
	Subscription expenses	**-**	142,850
	Sales promotion expenses	**20,248,124**	19,941,551
	Rate and taxes	**4,858,582**	2,394,800
	Legal and professional charges	**357,876**	99,462
	Interest on late payment of taxes	**1,223,729**	-
	Other expenses	**22,018**	46,524
		26,863,620	22,775,187
12	**Prior period adjustments**		
	Auditors remuneration	-	250,000
		-	250,000

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Chartered Accountants

13 Significant accounting policies

a. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting and the accounting principles generally accepted in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

b. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

c. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss, if any. Cost includes inward freight, duties, taxes (to the extent not recoverable from tax authorities) and expenses incidental to acquisition and installation of the fixed assets up to the time the assets are ready for intended use.

All tangible fixed assets are depreciated on written down value method at the rates and in the manner prescribed in Income Act, 1961, or at the rates determined based on the useful life of the assets, whichever is higher. Depreciation on addition/deletion of fixed assets made during the year is provided on pro-rata basis from/upto the date of each addition/deletion.

Assets costing up to rupees five thousand are fully depreciated in the year of purchase.

Fixed assetsare depreciated on a written down value method at the rates and in the manner prescribed under the Income-tax Act, 1961, or at the rates determined based on the useful life of the assets, whichever is higher.

d. Inventories

Direct expenses like cost of land, purchase of joint development rights, site labour cost, material used for project construction, project management consultancy, costs for moving the plant and machinery to the site and general expenses incurred specifically for the respective project like insurance, design and technical assistance, and construction overheads are taken as the cost of the inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

B S R and Co
Chartered Accountants

13 Significant accounting policies *(Continued)*

e. Revenue recognition

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

Revenue from real estate sales is recognized on the transfer of all significant risks and rewards of ownership to the buyers and it is not unreasonable to expect ultimate collection and no significant uncertainty exists regarding the amount of consideration. However if, at the time of transfer substantial acts are yet to be performed under the contract, revenue is recognized on proportionate basis as the acts are performed, i.e., on the percentage of completion basis.

As per the Guidance Note on Accounting for Real Estate Transactions (Revised 2012) issued by the Institute of Chartered Accountants of India effective 1 April 2012, revenue is recognized up on transfer of significant risk and rewards of such properties to buyers/customers. Such transfer occurs when the LLP enters into Agreement for Sale and it is not unreasonable to expect ultimate collection of revenue from buyers/customers. Revenue is recognized by applying percentage of completion method only if following thresholds have been met:

a) All critical approvals necessary for the commencement of the project have been obtained;

b) The expenditure incurred on construction and development costs (excluding land cost) is not less than 25% of the total estimated construction and development costs;

c) At least 25% of the saleable project area is secured by contracts/agreements with buyers; and

d) At least 10% of the contracts/agreements values are realized at the reporting date in respect of such contracts/agreements.

Interest income is recognized using the time proportion method, based on the underlying interest rates.

f. Impairment

In accordance with AS 28 on 'Impairment of assets', the LLP assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the LLP estimates the recoverable amount of the asset. The recoverable amount is the greater of the net selling price and value in use. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. In assessing the value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss.

13 Significant accounting policies *(Continued)*

g. *Employee benefits*

Short term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the year.

Long term employee benefits:

The LLP does not have leave encashment policy. Further balance of unutilized leave at the end of the calendar year gets lapsed as it is not allowed to be carried forward.

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated based on the arithmetic calculation depending on the number of years completed.

h. *Foreign currency transactions*

Foreign currency transactions are recorded at the exchange rates prevailing on the dates of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the statement of profit and loss of that year. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the closing exchange rates. The resultant exchange differences are recognized in the statement of profit and loss.

i. *Borrowing costs*

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are inventorised as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as expense in the period in which they are incurred.

Capitalisation of borrowing costs is suspended during the extended period in which active development is interrupted. Capitalisation of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

j. *Taxes on income*

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income tax expenses is recognised in profit or loss except that tax expense related to items recognised in profit or loss except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

13 Significant accounting policies *(Continued)*

j. Taxes on income (Continued)

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

k. Provisions and contingencies

Provisions

A provision is recognised if, as a result of past event, the LLP has present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. The provisions are measured on an undiscounted basis.

Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred and the amount can be estimated reliably.

l. Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the assets and related income are recognised in the period in which the change occurs.

Dharti Madrid County LLP

Schedules to financial statements
for the year ended 31 March 2014

(Currency : Indian rupees)

14 Dues to Micro Small and Medium Enterprises

Under Micro, Small and Medium Enterprise Development Act, 2006 (MSMED) which came in to force from 2 October, 2006, certain disclosures are required to be made relating to micro and small enterprises. On the basis of the information and records available with the management, the following disclosures are made for the amounts due to the Micro, small and medium enterprises:

	2014	2013
Principal amount remaining unpaid to any supplier as at the year end	-	-
Interest due remaining unpaid to any supplier as at the year end	-	-
The amount of interest paid by the Company as per the Micro Small and Medium Enterprises Development Act,2006 (MSMED Act,2006)	-	-
The amount of the payment made to micro and small suppliers beyond the appointed day during each accounting	-	-
The amount of interest due and payable for the period of delay in making payment(which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under the MSMED Act,2006.	-	-

On the basis of information and records available with the Company, the above disclosures are made in respect of amounts due to the micro, small and medium enterprises, who have registered with the relevant competent authorities. This has been relied upon by the auditors.

15 Related party disclosures

Party where control exists	Pacifica Lakeside Developers LLP
Entities having significant influence	Pacifica Infraspace LLP (Partner)

Related party transaction

Capital contribution received	2014	2013
Pacifica Infraspace LLP	-	10,000,000
Investment in Partnership Firm		
Pacifica Lakeside Developers LLP	187,642,115	-
Outstanding balance as at the year end		
Investment in Partnership Firm		
Pacifica Lakeside Developers LLP	187,642,115	

16 Disclosure in respect of projects under the revised guidance note issued by Institute of Chartered Accountants of India on "Accounting for Real Estate Transactions (revised 2012)"

Description	2014	2013
Revenue recognised during the year	387,195,866	114,686,384
Aggregate amount of cost incurred and profit recognised to date	501,882,250	114,686,384
Amount of advances received	763,305,218	365,117,060
Amount of inventory work in progress	650,155,110	442,505,685

17 Previous year comparatives

Previous figures have been regrouped/reclassified to conform to current year's presentation.

As per our report of even date attached.

For **B S R and Co**
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Firm's Registration No: 128510W

For Dharti Madrid County LLP

Sukrut Mehta
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