

INDEPENDENT AUDITORS' REPORT

To the members of Pantaloons Fashion & Retail Limited (Formerly Peter England Fashions and Retail Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of **Pantaloons Fashion & Retail Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, and the Statement of Profit and Loss, and the Cash Flow Statement 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, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4th April, 2014, issued by the Ministry of Corporate Affairs. 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 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 entity's internal control. An audit also includes evaluating the appropriateness of 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 financial statements give the information required by the Companies Act, 1956 ("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 loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 38 to the financial statements, wherein the appointment of the managing director is subject to the approval of the shareholders and the managerial remuneration paid in excess of the limits prescribed under Schedule XIII of the Act. The management has taken necessary steps for obtaining Central Government's approval. Pending the approval from the Shareholders of the Company

and the Central Government, as aforesaid, no adjustments have been made to the Financial Statements. 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 of India in terms of Sub-section (4A) of Section 227 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 purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 8/2014 dated 4th April, 2014, issued by the Ministry of Corporate Affairs.
 - (e) On the basis of written representations received from the directors as on 31st March, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Act.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 301003E

per **Vijay Maniar**
Partner
Membership No. 36738

Mumbai, 5th May, 2014

Annexure referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: Pantaloons Fashion & Retail Limited (Formerly Peter England Fashions and Retail Limited) (“the Company”)

- (i)(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (i)(b) The management has a planned program of verifying the fixed assets once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets, *however, during the year, physical verification has been carried out by the management only in respect of few stores as against the planned program.* No material discrepancies were noticed on such verification.
- (i)(c) There was no disposal of a substantial part of fixed assets during the year.
- (ii)(a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (ii)(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (ii)(c) The Company is maintaining proper records of inventory. Discrepancies noted on physical verification of inventories were not material and have been properly dealt with in the books of account.
- (iii)(a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of Clauses 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (iii)(e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of Clauses 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there 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 goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v)(a) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of Clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under Clause (d) of Sub-section (1) of Section 209 of the Act, for the products of the Company.
- (ix)(a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities. The provisions relating to excise duty are not applicable to the Company.
- (ix)(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance,

income-tax, wealth tax, service tax, sales tax, customs duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than Six months from the date they became payable.

- (ix)(c) According to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty and cess which have not been deposited on account of any dispute.
- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. *The Company has incurred cash losses in the current year and in the immediately preceding financial year.*
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, *we report that short-term sources of funds in the form of trade payables amounting to Rs. 5,703 Lakh have been used for long-term purpose for fixed assets, loans and advances and funding of losses.*
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company had issued unsecured non-convertible redeemable 3000 debentures of Rs.1,000,000 each, during the period, covered by our audit report, on which no security or charge is required to be created.
- (xx) The Company has not raised money from public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 301003E

per **Vijay Maniar**
Partner
Membership No. 36738

Mumbai, 5th May, 2014