

## Directors Report to members

Your directors have pleasure in presenting the Second Annual report together with the audited accounts of the company for the financial year ended March 31, 2017.

### 1. Financial Results

#### Financial Highlights

(Amount in Rs.)

Particulars	For the Financial Year ended 31 <sup>st</sup> March 2017	For the Financial Year ended 31 <sup>st</sup> March 2016
Operating income	60,04,799	---
Other Income	81,53,896	49,26,349
Less: Expenditure including depreciation	1,04,95,541	4,31,816
Profit before taxation	36,63,154	44,94,533
Provision for taxation	11,78,899	14,35,862
Profit after taxation	24,84,255	30,58,671

### 2. State of Company's Affairs and Future Outlook

Having been the recipient of the Housing Finance Company from the National Housing Bank, your Company commenced HFC operations during the second half of the current financial year. During the year, your Company sanctioned loans amounting to Rs 1624 Lakhs and disbursed loans amounting to Rs 1027 Lakhs.

Your Company continues to focus on the unbanked and underbanked so that they can be brought into the realms of financial services. Further by providing loans for their housing requirements, your Company also facilitates asset creation, which will be of great help not only to the borrower but to his / her entire family. There have also been a lot of thrust being given to the Housing sector both from government and from the regulatory bodies. Your Company also plans to take advantage of such actions to expand its reach and build a quality portfolio in the years to come.

### 3. Change in Nature of Business

There is no change in the nature of Business of your Company during the year under review.

### 4. Dividend

Your directors do not recommend any dividend for the financial year under review.

## Five-Star Housing Finance Pvt. Limited

Corporate Office : New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai - 600 010.  
 Phone : 4610 6200, e-mail : [info@fivestargroup.in](mailto:info@fivestargroup.in), Website: [www.fivestargroup.in](http://www.fivestargroup.in)  
 CIN No.: U74900TN2015PTC102366.

**5. Amounts Transferred to Reserves**

The amounts transferred to statutory reserves and general reserves are Rs 5,00,000/- and Rs 3,00,000 respectively.

**6. Changes in Share Capital**

The issued, subscribed and paid up share capital as on 31<sup>st</sup> March 2017 stands at Rs 15,00,00,000 comprising of 1,50,00,000 equity shares of Rs 10/- each. The entire shares are held by M/s Five-Star Business Finance Limited, holding company. There was no change in share capital during the year under review.

**7. Disclosure regarding issue of Employee Stock Options**

Your company has not implemented an Employees stock option scheme during the year.

**8. Extract of Annual Return**

As per Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in Form MGT 9 is enclosed and form part of this report as **Annexure A**.

**9. Number of Board Meetings**

During the financial year ended 31<sup>st</sup> March 2017, Eight (8) Board Meetings were held on 24<sup>th</sup> May 2016, 28<sup>th</sup> July 2016, 13<sup>th</sup> September 2016, 4<sup>th</sup> November 2016, 25<sup>th</sup> November 2016, 15<sup>th</sup> December 2016, 24<sup>th</sup> December 2016 and 18<sup>th</sup> March 2017 respectively.

Particulars of the Directors' attendance to the Board Meetings are given below:

<b>Name</b>	<b>Nature of Directorship</b>	<b>Attendance</b>
Mr D Lakshmipathy	Chairman & Director	8
Mr Rangarajan Krishnan	Director	3
Mr B Haribabu	Independent Director	6
Mr A Ramanathan	Independent Director	6
Mr R Anand	Independent Director	1

**10. Particulars of Loans, Guarantees or Investments under Section 186 of Companies Act, 2013**

During the year under review, the Company had not granted any loans or guarantees and investments covered under Section 186 of the Act 2013.

**11. Particulars of Contracts or Arrangements with Related parties**

During the financial year, the Company has entered into contracts or Arrangement with Related Parties as per Section 188 of the Companies Act, 2013 and the Rules framed thereunder as enclosed in **Annexure – B**.

**Five-Star Housing Finance Pvt. Limited**

The Company has also framed a Related Party Transaction policy for the Company as per the HFC Corporate Governance (NHB) Directions, 2016. The same is enclosed as Annexure - C to this report.

## **12. Material Changes Affecting the Financial Position of the Company.**

There are no material changes and commitments between 31<sup>st</sup> March 2017 and the date of this report having an adverse bearing on the financial position of the Company.

## **13. Conservation of Energy, Technological Absorption & Foreign Exchange Earnings/Outgo**

### **(i) Conservation of Energy & Technological Absorption**

Since your Company does not own any manufacturing facility, the requirement of disclosure of particulars relating to conservation of energy and technology absorption in terms of Section 134 of the Companies Act, 2013 and the Rules framed thereunder is not applicable.

### **(ii) Foreign Exchange Earnings/Outgo**

Your Company does not have any foreign currency earnings or expenditure during the financial year ended 31<sup>st</sup> March 2017.

## **14. Risk Management Framework**

Your Company, being in the business of service Industry, has to manage various risks. The management reviews and monitors these risks at periodic intervals.

Also, your Company has introduced and adopted appropriate risk-management measures, policies, systems and processes that seek to strike an appropriate balance between risk and returns.

## **15. Details of Directors and Key Managerial Personnel**

As on date of this report, your company's Board of Directors comprises of the following members, namely:

1. Mr D Lakshmipathy, Managing Director
2. Mr B Haribabu, Independent Director
3. Mr A Ramanathan, Independent Director
4. Mr R Anand, Independent Director

During the financial year ended 31<sup>st</sup> March 2017, the following changes took place in the Board of Directors of the Company

## **Five-Star Housing Finance Pvt. Limited**

Mr K Rangarajan, Non-Executive Director resigned from the Board with effect 13<sup>th</sup> September 2016. Your Directors express their deep appreciation for the services rendered by him during his tenure as Director.

Mr B Haribabu was appointed as additional Independent Director with effect from 13<sup>th</sup> September 2016 and holds office upto the date of the ensuing 2<sup>nd</sup> Annual General Meeting and being eligible has offered himself for reappointment.

Mr A Ramanathan was appointed as additional Independent Director with effect from 13<sup>th</sup> September 2016 and holds office upto the date of the ensuing 2<sup>nd</sup> Annual General Meeting and being eligible has offered himself for reappointment.

Mr R Anand was appointed as additional Independent Director with effect from 15<sup>th</sup> December 2016 and holds office upto the date of the ensuing 2<sup>nd</sup> Annual General Meeting and being eligible has offered himself for reappointment.

The Company has received a notice from a member pursuant to Section 161 of the Companies Act 2013 proposing their candidature for appointment as Independent Directors.

Mr G Srikanth, has been appointed as the Chief Financial Officer of the Company on 18<sup>th</sup> March 2017.

Ms Shalini B, has been appointed as the Company Secretary of the Company on 23<sup>rd</sup> May 2017.

#### **16. Details of Significant & Material Orders passed by the Regulators or court or tribunal**

During the financial year, there are no significant and material orders passed by the regulators or Courts or Tribunals impacting the going concern status and your company's operations in future.

#### **17. Deposits**

Your Company has not accepted any deposits since its inception.

#### **18. Details of adequacy of Internal Financial Controls**

Your Company has an internal control system, commensurate with the size, scale and complexity of its operations. Your company has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures. The Revenue from services is recognized in accordance with the specific terms of contract on performance.

### **Five-Star Housing Finance Pvt. Limited**

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CIN No.: U74900TN2015PTC102366.

## 19. Auditors

### Statutory Auditors

M/s Brahmayya & Co, Chartered Accountants were appointed as the statutory auditors of the Company at the 1<sup>st</sup> Annual General Meeting (AGM) of the shareholders held on 12<sup>th</sup> September 2016, to hold office from the conclusion of the 1<sup>st</sup> AGM upto the conclusion of the 6<sup>th</sup> AGM on such remuneration as may be fixed in this behalf by the Board of Directors of the Company in consultation with them.

As per Section 139 of the Companies Act, 2013, their appointment is subject to ratification at every AGM held subsequently to the 1<sup>st</sup> AGM.

M/s Brahmayya & Co, Chartered Accountants have given their consent for their appointment to be ratified at the ensuing 2<sup>nd</sup> AGM.

The Board of Directors recommend to the shareholder that the appointment of M/s Brahmayya & Co, Chartered Accountants, (Firm Regn. No 000511S), as the Statutory Auditors of the Company may be ratified at the ensuing 2<sup>nd</sup> Annual General Meeting.

## 20. Directors' Responsibility Statement

To the best of their knowledge and belief, and according to the information and explanations obtained by them, your Directors confirm the following in terms of Section 134 of the Companies Act, 2013 and the Rules made thereunder:-

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the directors had selected such accounting policies and applied them consistently and made judgments 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 the financial year and of the profit of the company for that period;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. the directors had prepared the annual accounts on a going concern basis; and
- e. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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CIN No.: U74900TN2015PTC102366.

**Acknowledgement**

Your Directors wish to thank the customers, bankers, shareholders, service agencies and other stakeholders for their support. The directors also thank the employees for their contribution during the financial year under review.

**For and on behalf of the Board of Directors**



**D Lakshmipathy**  
**Chairman & Managing Director**  
**DIN: 01723269**

Place: Chennai  
Date: 23/05/2017

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**FORM NO. MGT 9**  
**EXTRACT OF ANNUAL RETURN**  
**As on financial year ended on 31.03.2017**

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:		
1	CIN	U74900TN2015PTC102366
2	Registration Date	28-09-2015
3	Name of the Company	Five-Star Housing Finance Private Limited
4	Category/Sub-category of the Company	Company Limited by Shares
5	Address of the Registered office & contact details	No. 39, Outer Circular Road, Kilpauk Garden Colony, Kilpauk, Chennai - 600 010
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Nil

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY			
(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)			
S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Housing Finance	65922	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES					
SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	M/s. Five-Star Business Finance Limited (formerly known as Five Star Business Credits Limited)	U65991TN1984PLC010844	Holding	99.99%	2(87)

IV. SHARE HOLDING PATTERN									
(Equity share capital breakup as percentage of total equity)									
(i) Category-wise Share Holding									
Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/ HUF	-	100	100	0.01%	-	100	100	0.01%	0.00%
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	14,999,900	14,999,900	99.99%	-	14,999,900	14,999,900	99.99%	0.00%
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub Total (A) (1)</b>	-	15,000,000	15,000,000	100.00%	-	15,000,000	15,000,000	100.00%	0.00%
(2) Foreign									
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Any other	-	-	-	-	-	-	-	-	-
<b>Sub Total (A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>TOTAL (A)</b>	-	15,000,000	15,000,000	100.00%	-	15,000,000	15,000,000	100.00%	0.00%

<b>B. Public</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-

<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh									
c) Others (specify)									
Non Resident	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies - D	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total Public (B)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total</b>	-	15,000,000	15,000,000	100.00%	-	15,000,000	15,000,000	100.00%	0.00%

**(ii) Shareholding of Promoter**

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	D Lakshmipathy	100	0.01%	-	100	0.01%	-	0.00%
2	M/s Five Star Business Finance Limited (H	14,999,900	99.99%	-	14,999,900	99.99%	-	0.00%



**(iii) Change in Promoters' Shareholding (please specify, if there is no change) - No change**

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total	No. of shares	% of total
	At the beginning of the year	NO CHANGE			
	Changes during the year				
	At the end of the year				

**(iv) Shareholding Pattern of top ten Shareholders: NIL***(Other than Directors, Promoters and Holders of GDRs and ADRs):*

SN	For each of the Top 10 shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total	No. of shares	% of total
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

**(v) Shareholding of Directors and Key Managerial Personnel**

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares	No. of shares	% of total shares
1	D Lakshmipathy	100	0.01%	100	0.01%

**V. INDEBTEDNESS - NIL**

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. Rs./Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>				
* Addition	30,000,000.00	-	-	30,000,000.00
* Reduction	-	-	-	-
<b>Net Change</b>	-	-	-	30,000,000.00
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	30,000,000.00	-	-	30,000,000.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	9,452.00	-	-	9,452.00
<b>Total (i+ii+iii)</b>	30,009,452.00	-	-	30,009,452.00

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL.**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NIL**

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager	Total Amount
	Name		(Rs/Lac)
	Designation		
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		-
2	Stock Option		-
3	Sweat Equity		-
4	Commission		-
	- as % of profit		-
	- others, specify		-
5	Others, please specify		-
	Total (A)	-	-
	Ceiling as per the Act	-	-

**B. Remuneration to other Directors: NIL**

SN.	Particulars of Remuneration (Name of Directors)					Total Amount
						(Rs/Lac)
1	Independent Directors					
	Fee for attending board committee					-
	Commission					-
	Others, please specify					-
	Total (1)					-
2	Other Non-Executive Directors					-
	Fee for attending board committee					-
	Commission					-
	Others, please specify					-
	Total (2)	-	-	-	-	-
	Total (B)=(1+2)					-
	Total Managerial Remuneration					-
	Overall Ceiling as per the Act					-

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: NIL**

SN.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount
	Name				Total Amount
	Designation				(Rs/Lac)
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				-
	(b) Value of perquisites u/s 17(2) Income-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option				-
3	Sweat Equity				-
4	Commission				-
	- as % of profit				-
	- others, specify				-
5	Others, please specify				-
	Total	-	-	-	0.00

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL					
Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY - NA</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS - NA</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT - NA</b>					
Penalty					
Punishment					
Compounding					

For Five-Star Housing Finance Private Limited



Mr D Lakshmipathy  
Chairman & Managing Director  
DIN: 01723269

Place: Chennai  
Date: 23/05/2017

Form No. AOC-2

*(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)*

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis - NA
  - a) Name of the related party and nature of relationship:
  - b) Nature of contracts/ arrangements/ transactions:
  - c) Duration of the contracts/ arrangements/ transactions:
  - d) Salient terms of the contracts or arrangements or transactions including the value, if any:
  - e) Justification for entering into such contracts/ arrangements/ transactions:
  - f) Date of approval by the Board:
  - g) Amount paid as advance, if any:
  - h) Date on which the special resolutions was passed in general meeting as required under the first proviso to section 188:
  
2. Details of material contracts or arrangement or transactions at arm's length basis
  - a) Name of the related party and nature of relationship: Five-Star Business Finance Limited, Holding company.
  - b) Nature of contracts/ arrangements/ transactions: Sharing of premises, resources, etc
  - c) Duration of the contracts/ arrangements/ transactions: Ongoing
  - d) Salient terms of the contracts or arrangements or transactions including the value, if any: Sharing of premises, infrastructure, personnel and other resources upto Rs 18,68,872/-.
  - e) Justification for entering into such contracts/ arrangements/ transactions: As per the related party transaction policy
  - f) Date of approval by the Board : 4<sup>th</sup> November 2016
  - g) Amount paid as advance , if any : Nil

**For Five-Star Housing Finance Private Limited**



**D Lakshmi Pathy**  
**Chairman & Managing Director**

**DIN: 01723269**

Place: Chennai

Date: 23/05/2017

## **RELATED PARTY POLICY / ARMS LENGTH POLICY**

Five-Star Housing Finance Private Limited is a private limited company, which is constituted as a wholly owned subsidiary of Five-Star Business Finance Limited. The Company received its HFC license in the month of May 2016 and is planning to commence Housing Finance business in the forthcoming months. Being a subsidiary, the company shall utilize the infrastructure of the parent in the initial years before it sets up completely independent infrastructure. Being a subsidiary coupled with such transactions brings the aspect of Related Party Transactions, which this policy seeks to address.

This policy seeks to address 2 points.

1. Identification and disclosure of Related Party Transactions (RPT)
2. Lay down transfer pricing norms between the parent and the subsidiary

### **WHO IS A RELATED PARTY**

Companies Act, 2013 defines Related Parties as follows.

- A director or his relative
- KMP or his relative
- A firm, in which a director, manager or his relative is a partner
- A private company in which a director or manager is a member or director
- A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except if advice/ directions/ instructions are given in the professional capacity
- Any person on whose advice, directions or instructions a director or manager is accustomed to act, except if advice/ directions/ instructions are given in the professional capacity
- Any company which is:
  - A holding, subsidiary or an associate company of such company, or
  - A subsidiary of a holding company to which it is also a subsidiary
- Such other persons as may be prescribed

As can be clearly seen from the above, holding or subsidiary companies fall into the category of Related Party and hence transactions between the 2 entities will have to be disclosed in the books of accounts as RPT.

### **RELATED PARTY TRANSACTIONS**

The following transactions would be disclosed as RPT:

1. Investment by the Holding company into the subsidiary
2. Other transactions between the holding company and subsidiary company

In the list above, the investment by the holding company into the subsidiary needs no further elucidation. However, it is essential to define the other transactions that could be entered into between the parent and the subsidiary.

## OTHER TRANSACTIONS

As the subsidiary seeks to utilize the infrastructure of the parent in the initial years, it becomes necessary for the parent to transfer costs appropriately to ensure that such transactions are done on an arm's length basis.

All the costs that are incurred by the subsidiary directly would be booked in the books of the subsidiary. However, the costs incurred by the parent where a portion of the benefits flow to the subsidiary would need to be shared between the 2 entities. Such costs are detailed below.

- a. **Personnel costs of supervisory layers at the branches** - The subsidiary would have dedicated field officers who would be managing the business and collections. However, the supervisory layers like the Branch Managers, Area Managers, Regional Managers, State Heads, Cashiers, etc would not be hired in the initial years. Such personnel who are part of the holding company rolls would be used to provide supervision to the subsidiary as well. Hence their costs would have to be proportionately passed on to the subsidiary.
- b. **Head Office personnel costs** - There would also be personnel costs of the common functions done out of the Head Office like Operations, Finance & Accounts, HR, Technology, etc along with the costs of the senior management personnel like the MD, COO, CFO which will be proportionately passed on to the subsidiary.
- c. **Operational expenses for shared infrastructure** - In the initial years, the subsidiary would also share the infrastructure of the parent. Hence operational expenses pertaining to such infrastructure viz. rent, electricity, repairs & maintenance, communication expenses, software expenses, etc would be shared between the parent and the subsidiary.

## METHODOLOGY FOR ALLOCATION OF SHARED COSTS

The shared costs enumerated above would be shared between the 2 entities in the proportion of the projected closing AUM (Assets under Management) for the immediately ensuing financial year of the 2 entities. An illustration is given below (numbers given are for illustration purposes only).

Entity	Projected AUM for FY...	Proportion of AUM
Five Star Business Finance Limited (parent)	375	93.75%
Five Star Housing Finance Pvt Ltd (sub)	25	6.25%
<b>Total</b>	<b>400</b>	<b>100%</b>

So all the common costs incurred during the financial year 2016-17 shall be shared between the 2 entities in the ratio of 90:10. This ratio shall be recalculated at the beginning of every financial year/ at the time of commencement of HFC operations and presented to the Board for their approval so that the sharing ratio can be finalized. Changes to the sharing ratio during the year shall not be permitted without the approval of the Board.

The Related Party Transactions shall be reviewed by the Audit Committee and presented to Board for their approval on quarterly basis.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**

**1. Report on the Financial Statements**

We have audited the accompanying financial statements of Five-Star Housing Finance Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**2. Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

**3. Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's

preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

#### 4. **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 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 March 31, 2017;
- b) in the case of the Statement of Profit and Loss, of the profit 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.

#### 5. **Report on Other Legal and Regulatory Requirements**

- (i) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section 11 of section 143 of the Act, we give in the "Annexure - A" a statement on the matters specified in paragraph 3 and 4 of the Order.
- (ii) As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

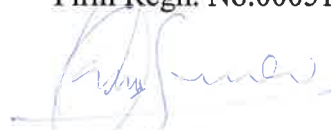


- (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the Operating Effectiveness of such controls, refer to our separate report in "Annexure - B"
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Company has disclosed the effect of the pending legal proceedings against it in its financial statements as mentioned in Note 26.5 of the Notes to the Accounts;
  - ii. based on the current assessment of the long term contracts, in the ordinary course of business, the company has made adequate provision for losses, where required, as explained in Note 26.6 of the Notes to the Accounts. The company did not enter into any derivative contracts during the year.
  - iii. there was no amount to be transferred to the Investor Education and Protection Fund by the Company.
  - iv. the company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8<sup>th</sup> November 2016 to 30<sup>th</sup> December 2016 as mentioned in Note 26.3 to the financial statements and the details are in accordance with the books of accounts maintained by the company.

Place: Chennai

Date: 23rd May, 2017

For BRAHMAYYA & Co.  
Chartered Accountants  
Firm Regn. No.000511S



L.Ravi Sankar  
Partner  
Membership No. 025929

**FIVE-STAR HOUSING FINANCE FINANCE LIMITED****“ANNEXURE A” TO THE AUDITORS’ REPORT REFERRED TO IN PARAGRAPH  
5 OF OUR REPORT OF EVEN DATE**

1. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
b) Fixed assets have been physically verified by the Management during the year, in accordance with an annual plan of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of the fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.  
c) The Company does not own any immovable properties .
2. In our opinion and according to the information and explanations given to us, the Company has not granted any loans secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, clauses (iii)(a), (b) and (c) of paragraph 3 of the Order are not applicable to the Company for the year.
3. In our opinion and according to the information and explanations given to us, the company has not granted any loans, made any investments or provided any guarantee or security as envisaged under Section 185 and 186 of the Companies Act, 2013 respectively.
4. The company has not accepted deposits from public.
5. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act.
6. i) In our opinion and according to the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, Service tax, Cess and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March 2017 for a period of more than six months from the date they became payable.  
ii) According to the records of the Company and the information and explanations given to us, there are no dues of Service tax, Income tax and other material statutory dues which have not been deposited on account of any dispute.
7. The company does not have any borrowings from Banks, Financial Institutions, Government and Debenture Holders.
8. Based on our examination of the records and the information and explanations given to us, the term loans were applied for the purposes for which the loans were obtained.

9. To the best of our knowledge and belief and according to the information and explanations given to us, during the year, no fraud by the Company and no fraud on the Company by its officers or employees were noticed or reported during the year.
10. The Company has not paid / provided for managerial remuneration during the year.
11. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and Section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
12. In our opinion and according to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them.
13. The company has obtained Certificate of Registration under Section 29A of the National Housing Bank Act, 1987 as required.
14. In our opinion and according to the information and explanations given to us, the nature of the Company's business/ activities during the year has been such that clause (ii) , clause (xii) and clause (xiv) of paragraph 3 of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company for the year.

Place: Chennai

Date: 23rd May, 2017

For BRAHMAYYA & Co.  
Chartered Accountants  
Firm Regn. No.000511S



L.Ravi Sankar  
Partner  
Membership No. 025929

**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
**“ANNEXURE B” TO THE AUDITORS’ REPORT REFERRED TO IN PARAGRAPH**  
**5 OF OUR REPORT OF EVEN DATE**

**Report on the Internal Financial Controls under Clause (i) of Sub-Section 3 of Section 143 of the Companies, Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Five-Star Housing Finance Private Limited (“the Company”) as of 31st March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Chennai

Date: 23rd May, 2017

For BRAHMAYYA & Co.  
Chartered Accountants  
Firm Regn. No.000511S



L.Ravi Sankar  
Partner  
Membership No. 025929

**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
**Balance Sheet as at 31st March 2017**

Particulars		Note No	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
<b>A</b>	<b><u>EQUITY AND LIABILITIES</u></b>			
<b>1</b>	<b>Shareholders' funds</b>			
	(a) Share capital	3	150,000,000	150,000,000
	(b) Reserves and surplus	4	5,542,926	3,058,671
			<b>155,542,926</b>	<b>153,058,671</b>
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Long term borrowings		-	-
	(b) Other Long term Liabilities		-	-
	(c) Long term provisions	5	477,262	-
			<b>477,262</b>	-
<b>3</b>	<b>Current liabilities</b>			
	(a) Short Term borrowings		-	-
	(b) Trade payables			
	(A) total outstanding dues of micro enterprises and small enterprises		-	-
	(B) total outstanding dues of creditors other than micro enterprises and small enterprises	6	255,113	11,450
	(c) Other current liabilities	7	34,013,091	-
	(d) Short term provisions	8	46,842	943,227
			<b>34,315,046</b>	<b>954,677</b>
	<b>TOTAL</b>		<b>190,335,234</b>	<b>154,013,348</b>
<b>B</b>	<b><u>ASSETS</u></b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	9	18,873	-
	(ii) Intangible assets	9	-	-
	(b) Non-Current Investments		-	-
	(c) Deferred tax assets(net)	10	168,892	-
	(d) Long term receivables under financing activity	11	91,379,087	-
	(e) Long term loans and advances	12	500	-
	(f) Other Non Current Assets	13	1,228,077	1,637,436
			<b>92,795,429</b>	<b>1,637,436</b>
<b>2</b>	<b>Current assets</b>			
	(a) Current Investments	14	43,430,932	-
	(b) Cash and Bank Balances	15	42,709,925	147,942,198
	(c) Short term receivables under financing activity	16	10,354,805	-
	(d) Short term loans and advances	17	19,570	-
	(e) Other Current Assets	18	1,024,573	4,433,714
			<b>97,539,805</b>	<b>152,375,912</b>
	<b>TOTAL</b>		<b>190,335,234</b>	<b>154,013,348</b>
	Significant Accounting Policies and Notes to the Accounts	2 to 26		

As per our report of even date attached  
 For Brahmayya & Co.  
 Chartered Accountants  
 Firm Registration Number 0005115



Ravi Sankar  
 Partner  
 Membership No. 025929  
 Place : Chennai  
 Date: 23.05.2017

*[Signature]*  
 D. Lakshmi pathy  
 Director

*[Signature]*  
 B. Haribabu  
 Director

*[Signature]*  
 G. Srikanth  
 Chief Financial Officer

*[Signature]*  
 B. Shalini  
 Company Secretary



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**

Date: 23.05.2017

Particulars		Note No	2016-17 Rs.	2015-16 Rs.
<b>REVENUE</b>				
	Revenue from Operations	19	6,004,799	-
	other income	20	8,153,896	4,926,349
	<b>Total revenue</b>		<b>14,158,695</b>	<b>4,926,349</b>
<b>EXPENSES</b>				
	Finance costs	21	1,009,452	-
	Employee benefit expenses	22	6,668,551	-
	Other expenses	23	1,997,716	22,457
	Provision, loan loss and other charges	24	406,936	-
	Depreciation	11	3,527	-
z.z	Preliminary Expenses Written Off		409,359	409,359
	<b>Total Expenses</b>		<b>10,495,541</b>	<b>431,816</b>
	<b>Profit Before Tax</b>		<b>3,663,154</b>	<b>4,494,533</b>
<b>Tax expenses</b>				
z.y	Current tax expenses		1,347,791	1,435,862
	Deferred tax		(168,892)	-
			<b>1,178,899</b>	<b>1,435,862</b>
	<b>Profit for the Year</b>		<b>2,484,255</b>	<b>3,058,671</b>
<b>Earnings per share - (Refer Note 26.2)</b>				
	<b>Weighted Average number of Shares (Face Value Rs.10/- per share)</b>		<b>15000000</b>	<b>6844262</b>
	- Basic (of Rs.10/- each)		0.17	0.45
	- Diluted		0.17	0.45
Significant Accounting Policies and Notes to the Accounts		2 to 26		

As per our report of even date attached  
For Brahmayya & Co.  
Chartered Accountants  
Firm Registration Number 0005115



Ravi Sankar  
Partner  
Membership No. 025929  
Place : Chennai  
Date: 23.05.2017

*[Signature]*  
D. Lakshmi pathy  
Director

*[Signature]*  
B. Haribabu  
Director

*[Signature]*  
G. Srikanth  
Chief Financial Officer

*[Signature]*  
B. Shalini  
Company Secretary



FIVE-STAR HOUSING FINANCE PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE PERIOD 28TH SEPTEMBER 2015 (DATE OF INCORPORATION) TO 31ST MARCH 2017

A) CASH FLOW FROM OPERATING ACTIVITIES	Year Ended 31.03.2017		Year Ended 31.03.2016	
Net Profit	2,484,255		3,058,671	
Add: Provision for Taxation	1,178,899		1,435,862	
Add: Preliminary Expenses written off	409,359		409,359	
		4,072,513		4,903,892
Depreciation		3,527		
General Provision on Standard Assets		406,936		
Provision for Gratuity		117,169		
Add: Financial Expenses				
<b>Operating Profit Before Working Capital Changes</b>		<b>4,600,145</b>		<b>4,903,892</b>
(Increase) Decrease in Loans and Advances	(101,734,392)		-	
(Increase) Decrease in Other Current Assets	3,409,141		(4,433,714)	
Increase (Decrease) in Current Liabilities	243,662		11,450	
Increase (Decrease) in Other Current Liabilities	34,013,091		(2,046,795)	
Preliminary Expenses Paid		(64,068,498)		(6,469,059)
		(59,468,353)		(1,565,167)
Financial Expenses				
Direct Taxes Paid	(2,310,588)		(492,635)	
<b>Net Cash from Operating Activities (A)</b>		<b>(61,778,941)</b>		<b>(2,057,802)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets		(22,400)		-
(Purchase) / Sale of Current Investments		(43,430,932)		
<b>Net Cash from Investing Activities (B)</b>		<b>(43,453,332)</b>		<b>-</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>				
<u>Long Term</u>				
Increase in Share Capital		-		150,000,000
<u>Short Term</u>				
Increase (Decrease) in Other Borrowings		-		-
<b>Net Cash from Financing Activities (C)</b>		<b>-</b>		<b>150,000,000</b>
<b>Net Increase in Cash and Cash Equivalents (A) + (B) + (C)</b>		<b>(105,232,273)</b>		<b>147,942,198</b>
Cash and Cash Equivalents at the Beginning of the Year		147,942,198		-
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>42,709,925</b>		<b>147,942,198</b>
<b>Components of Cash and Cash Equivalents at the end of the Year</b>				
Cash on Hand		70,180		-
Cash with Scheduled Banks		42,639,745		147,942,198
<b>Cash and Cash Equivalents</b>		<b>42,709,925</b>		<b>147,942,198</b>

As per our report of even date attached  
For Brahmayya & Co.  
Chartered Accountants  
Firm Registration Number 0005115



L. Ravi Sankar  
Partner  
Membership No. 025929  
Place : Chennai  
Date: 23.05.2017

*[Signature]*  
D. Lakshmi pathy  
Director

*[Signature]*  
B. Haribabu  
Director

*[Signature]*  
G. Srikanth  
Chief Financial Officer

*[Signature]*  
B. Shalini  
Company Secretary



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
**Notes forming part of the financial statements**

Note	Particulars
<b>1</b>	<p><b>Corporate information</b></p> <p>Five-Star Housing Finance Private Limited ('the Company') was incorporated on 28th September 2015 with the primary objective of carrying on the business of providing long term housing finance to meet the housing needs of the low and middle income segment in the country.</p> <p>The Company received the certificate of registration from the National Housing Bank (NHB) on 3rd May 2016 to commence the business of Housing Finance without accepting public deposits.</p>
<b>2</b>	<p><b>Significant accounting policies</b></p>
<b>2.1</b>	<p><b>Basis of accounting and preparation of financial statements</b></p> <p>The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India, Accounting Standards (AS) notified by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013. Besides, the company follows the Directions prescribed by the National Housing Bank (NHB) for Housing Finance Companies.</p>
<b>2.2</b>	<p><b>Use of estimates</b></p> <p>The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.</p>
<b>2.3</b>	<p><b>Revenue recognition</b></p> <p>Income and Expenditure are accounted on accrual basis.</p>



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED****Notes forming part of the financial statements**

Note	Particulars
<b>2.4 Earnings per share</b>	
	Basic earnings per share is computed by dividing the profit / (Loss) after tax (including the post tax effect of extraordinary item, if any) by the weighted average number of equity shares outstanding during the year.
<b>2.5 Taxes on Income</b>	
	Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.
<b>2.6 Provisions and contingencies</b>	
	Provisions are recognised only when the Company has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made.
<b>2.7 Preliminary Expenses</b>	
	Preliminary Expenses Incurred for Incorporation are written off over a period of 5 years. 1/5th of the total preliminary expenditure recognised in the current financial year



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
**Notes forming part of the financial statements**

**Note 3 Share Capital**

Particulars	As at 31st March 2017		As at 31st March 2016	
	Number of Shares	Rs.	Number of Shares	Rs.
(a) Authorised				
Equity Shares of Rs.10 each	25,000,000	250,000,000	25,000,000	250,000,000
(b) Issued, Subscribed and fully paid up				
Equity Shares of Rs.10 each	15,000,000	150,000,000	15,000,000	150,000,000

**Notes:**

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year

Particulars	As at 31st March 2017		As at 31st March 2016	
	Number of Shares	Amount (Rs.)	Number of Shares	Amount (Rs.)
Equity Shares				
Opening Balance	15,000,000	150,000,000	-	-
Add - Shares Issued During the Year	-	-	15,000,000	150,000,000
Closing Balance	15,000,000	150,000,000	15,000,000	150,000,000

(iii) Terms/rights attached to Equity Shares:

The Company has only one class of equity shares having a par value of Rs.10 each. Each holder is entitled to one vote per equity share.

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31st March 2017		As at 31st March 2016	
	Number of Shares held	% of holding in that class of shares	Number of Shares held	% of holding in that class of shares
Equity Shares				
Five-Star Business Finance Limited	14,999,900	100.00	14,999,900	100.00
D. Lakshmiopathy *	100	0.00	100	0.00

\* Nominee of Five-Star Business Finance Limited



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
**Notes forming part of the financial statements**

**Note 4 Reserves and Surplus**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
(a) Statutory Reserve (Note 4.1)		
Balance at the beginning of the year	660,000	-
Add: Amount transferred from surplus In the statement of profit and loss	500,000	660,000
Closing Balance	1,160,000	660,000
(b) General Reserve		
Balance at the beginning of the year	360,000	-
Add: Amount transferred from surplus In the Statement of Profit and Loss	300,000	360,000
Closing Balance	660,000	360,000
(c) Surplus in the statement of profit and loss		
Balance at the beginning of the year	2,038,671	-
	2,038,671	-
Add: Profit for the year	2,484,255	3,058,671
Less: Appropriations		
Transfer to Statutory Reserve	500,000	660,000
Transfer to General Reserve	300,000	360,000
Net Surplus in the statement of Profit and Loss	3,722,926	2,038,671
<b>Total Reserves and surplus</b>	<b>5,542,926</b>	<b>3,058,671</b>

4.1 - As per Section 29C of the National Housing Bank Act, 1987, the company is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose, the company has transferred Rs.5,00,000/- to the statutory reserve (u/s 29C of NHB Act)



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
Notes forming part of the financial statements

**Note 5 : Long Term Provisions**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
<b>Provision for Employee Benefits</b>		
Provision for Gratuity	111,746	-
<b>Other Provisions</b>		
Provision for Standard Assets	365,516	-
	477,262	-

**Note 6 : Trade Payables**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Total outstanding dues of creditors other than micro enterprises and small enterprises	255,113	11,450
	255,113	11,450

**Note 7 : Other Current Liabilities**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Current Maturities of Long Term Borrowings (Refer Note 7.1)		
- from NBFC	30,000,000	-
Insurance Premium	932,979	-
Interest accrued but not due on borrowings	9,452	-
Five-Star Business Finance	238,191	-
Statutory due Payable	565,344	-
Others payables	2,267,125	-
	34,013,091	-

**7.1 Details of Loans from NBFC**

Name of the Lender	Tenor	Repayment Terms	As at 31st March 2017	As at 31st March 2016
IFMR Capital Finance Private Limited	12 Months	Principal Bullet, Interest Monthly	30,000,000	-
			30,000,000	-

**Note 8 : Short Term Provisions**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
<b>Provision for Employee Benefits</b>		
Provision for Gratuity	5,423	-
<b>Other Provisions</b>		
Provision for Standard Assets	41,419	-
Provision for Income Tax	-	943,227
	46,842	943,227



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**

**SCHEDULE – 9**

**Fixed Assets**

	Gross Block				Depreciation				Net Block	
	Balance as at 01/04/2016	Addition	Deletion	Balance as at 31/03/2017	For the Year	Transition Reserve	Deduction	Balance as at 31/03/2017	Balance as at 31/03/2016	
I) Tangible Assets	-	22,400	-	22,400	3,527	-	-	18,873	-	
Computers	-	22,400	-	22,400	3,527	-	-	18,873	-	
Total	-	-	-	-	-	-	-	-	-	
Previous Year	-	-	-	-	-	-	-	-	-	



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**

**Note 10: Deferred Tax Assets (Net)**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Deferred Tax Asst		
a) Employee Benefits		
Gratuity	32,283	-
Leave Encashment	25,368	-
b) Provision for Standard Assts	112,121	-
	(A) 169,772	-
Less: Deferred Tax Liability		
a) Depreciation	880	-
	(B) 880	-
Net Deferred Tax Asset	(A) – (B) 168,892	-

**Note 11: Long Term Receivables Under Financing Activities**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Considered Good:		
A. Secured		
Loans	91,379,087	-
	91,379,087	-

**Note 12 : Long Term Loans and Advances**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
<u>Unsecured, Considered Good</u>		
Others	500	-
	500	-

**Note 13 : Other Non Current Assets**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Unamortised Preliminary Expenses	1,228,077	1,637,436
	1,228,077	1,637,436



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**

**Note 14 : Current Investments (Valued at Lower of Cost or Net Realisable Value )**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Investments in Mutual Funds		
SBI Cash Plus - Growth (Opening as on 01.04.2016 - NIL units, Additions During F.Y. 2016-17 - 28106.42 units, Redemptions During F.Y. 2016-17 - 25015.87 units and Closing as on 31.03.2017 - 3090.55 Units)	7,707,005	-
BSL Cash Plus - Growth (Opening as on 01.04.2016 - NIL units, Additions During F.Y. 2016-17 - 294291.07, Redemptions During F.Y. 2016-17 - 154284.97 units and Closing as on 31.03.2017 - 140006.10 Units)	35,723,927	-
<b>TOTAL</b>	<b>43,430,932</b>	<b>-</b>
Aggregate cost of investments		
- At Cost	43,430,932	-
- At Market Value (Net Asset Value)	44,341,007	-

**Note 15 : Cash and Bank Balances**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
<b>1. Cash and Cash Equivalents:</b>		
(a) Cash on Hand	70,180	-
(b) Balances with Banks		
(i) In Current accounts	42,639,745	2,942,198
(ii) In Deposit accounts with less than 3 months maturity	-	145,000,000
	<b>42,709,925</b>	<b>147,942,198</b>

**Note 16: Short Term Receivables Under Financing Activities**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
<b>Considered Good:</b>		
<b>A. Secured</b>		
Loans	10,354,805	-
	<b>10,354,805</b>	<b>-</b>





**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
**Notes forming part of the financial statements**

**Note 17 : Short Term Loans and Advances**

Particulars	Rs. Rs.	Rs. Rs.
Staff Advance & Others	19,570	-
	19,570	-

**Note 18 : Other Current Assets**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Interest Accrued on Deposits with Banks and NBFCs	-	4,433,714
Tax Deducted at Source	829,081	-
Others	195,492	-
	1,024,573	4,433,714

**Note 19: Revenue from Operations**

Particulars	2016-17 Rs.	2015-16 Rs.
Interest Income	2,453,439	-
Processing Fees	2,444,070	-
Other operating income	1,107,290	-
	6,004,799	-

**Note 20 : Other Income**

Particulars	2016-17 Rs.	2015-16 Rs.
Interest on Bank Deposits	6,679,099	4,926,349
Gain on Redemption of Mutual Fund Units	1,430,932	-
Other non-operating income	43,865	-
	8,153,896	4,926,349

**Note 21 : Finance Costs**

Particulars	2016-17 Rs.	2015-16 Rs.
Borrowing Costs	1,000,000	-
Interest on Corporate Loans	9,452	-
	1,009,452	-



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**

**Note 22 : Employee Benefit Expenses**

Particulars	2016-17 Rs.	2015-16 Rs.
Salaries, Commission and Bonus	5,016,980	-
Staff Welfare Expenses	511	-
Contribution to Provident Fund, ESI and Gratuity	495,515	-
Deputation Cost incurred	1,155,545	-
	<b>6,668,551</b>	<b>-</b>

**Note 23 : Other Expenses**

Particulars	2016-17 Rs.	2015-16 Rs.
Rates and Taxes	39,640	-
Communication Expenses	40	-
Consultancy Fees	121,770	-
Printing and Stationery	136,681	950
Audit Fees - Statutory Audit	50,000	11,450
- Other Services	25,000	-
Repairs and Maintenance	400	-
Traveling & Conveyance Expenses	69,539	-
Insurance	15,792	-
Service Tax	720,544	-
Collection Charges	8,816	-
Rating Fees	12,500	-
Administrative Cost Incurred	713,327	-
Miscellaneous Expenses	83,667	10,057
	<b>1,997,716</b>	<b>22,457</b>

**Note 24 : Provisions, Loan Losses and Other Charges**

Particulars	2016-17 Rs.	2015-16 Rs.
Provision for Standard Assets	406,936	-
	<b>406,936</b>	<b>-</b>



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
Notes forming part of the financial statements

**Note 25 : Additional information to the financial statements**

Note	Particulars				
<b>25.1</b>	<b>Micro, Small and Medium Enterprises</b>				
	There are no amounts due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006"				
<b>25.2</b>	<b>The provisions relating to housing loans made in the books of account are as follows</b>				
	Asset Classification	Loan Outstanding as at 31 <sup>st</sup> March 2017	Provision for Assets as at 31 <sup>st</sup> March 2017	Loan Outstanding as at 31 <sup>st</sup> March 2016	Provision for Assets as at 31 <sup>st</sup> March 2016
		Rs.	Rs.	Rs.	Rs.
	Standard Assets	101,733,892	406,936	-	-
	Sub-Standard Assets	-	-	-	-
	Doubtful Assets	-	-	-	-
	Loss Assets	-	-	-	-
	<b>Total</b>	<b>101,733,892</b>	<b>406,936</b>	<b>-</b>	<b>-</b>

**Note 26 : Disclosure under Accounting Standards**

<b>26.1</b>	<b>Related Party Transactions</b>						
26.1.a	<p>Related Parties: Holding Company : Five-Star Business Finance Limited (100% holding)</p> <p>Key Management Personnel: Mr.D. Lakshmiopathy, Chairman</p>						
26.1.b	Details of related party transactions for the year						
		Key Management Personnel	Relatives of Key Management Personnel	Holding Company	Key Management Personnel	Relatives of Key Management Personnel	Holding Company
	Nature of Transactions	31.03.2017	31.03.2017	31.03.2017	31.03.2016	31.03.2016	31.03.2016
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Shared Cost	-	-	1,868,872	-	-	-
	Receipt of Share Capital	-	-	-	-	-	150,000,000
	<b>Liabilities at the end of the year</b>						
	Equity Share Capital	-	-	15,000,000	-	-	150,000,000

**26.2 Earnings per share**

Particulars	As at 31st March 2017	As at 31st March 2016
	Rs.	Rs.
Profit after tax (Rs.)	2,484,255	3,058,671
Weighted Average Number of Equity Shares		
- Basic (No.)	15,000,000	6,844,262
- Diluted (No.)	15,000,000	6,844,262
Earnings Per Share (EPS)		
- Basic (No.)	0.17	0.45
- Diluted (No.)	0.17	0.45
Face Value of Shares (Rs.)	10	10



**FIVE-STAR HOUSING FINANCE PRIVATE LIMITED**  
**Notes forming part of the financial statements**

26.3 Disclosure relating to Specified Bank Notes (SBN's) as per MCA Notification No.GSR 308(E)[F.NO.17/62/2015-CL-V-(VOL.I)] dated 30th March 2017:

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 8-11-2016	12000	0	12000
(+) Other receipts	0	0	0
(+) Permitted receipts	0	543816	543816
(-) Permitted payments	0	0	0
(-) Amount deposited in Banks	12000	538233	550233
Closing cash in hand as on 30-12-2016	0	5583	5583

**26.4 Contingent liability**

There is no Contingent liability as on 31.03.2017.

**26.5 Pending Litigations**

The Pending Litigations as on 31<sup>st</sup> March 2017 have been compiled by the company and reviewed by Statutory Auditors. The Current position of the litigations has been evaluated and the effect thereof has been disclosed in the financial statements wherever appropriate.

**26.6 Provision for Loan Accounts**

Based on the current status of loan accounts the company has made adequate provision for losses, where required.

**26.7 Previous Year Figures**

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosures.

As per our report of even date attached  
 For Brahmayya & Co.  
 Chartered Accountants  
 Firm Registration Number 000511S



*[Signature]*  
 L. Ravi Sankar  
 Partner  
 Membership No. 025929  
 Place : Chennai  
 Date: 23.05.2017

*[Signature]*  
 D. Lakshmiopathy  
 Director

*[Signature]*  
 B. Haribabu  
 Director

*[Signature]*  
 G. Srikanth  
 Chief Financial Officer

*[Signature]*  
 B. Shalini  
 Company Secretary

