

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Sobha Limited

### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of Sobha Limited [formerly known as Sobha Developers Limited] ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

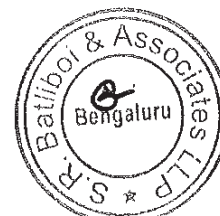
### **Management's Responsibility for the Standalone Financial Statements**

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 standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with 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 includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 the 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone 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, issued by the Institute of Chartered Accountants of India, as 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 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 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 standalone financial statements.



**Opinion**

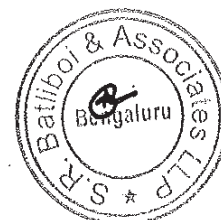
In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, its profit and its cash flows for the year ended on that date.

**Emphasis of Matter**

We draw attention to Note 29 (a) to the financial statements, relating to the notice of termination issued to a buyer by the Company and invoking of the arbitration clause and other legal remedies by the Company under the agreement with such buyer to enforce its rights under the agreement. The management of the Company is confident that it would be able to enforce its rights under the aforesaid agreements and accordingly no adjustments are considered necessary in these 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, 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 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 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 it 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 aforesaid standalone 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 written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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 2" to this report;



# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

(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 impact of pending litigations on its financial position in its financial statements – Refer Note 29 to the financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

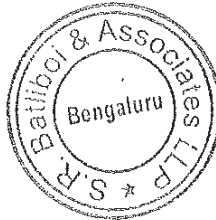
## **Other Matter**

We did not audit the financial information as regards Company's share in profits of partnership firm (post tax) amounting to ₹ 83.35 million for the year ended March 31, 2016. The financial information has been audited by other auditors whose reports have been furnished to us, and the Company's share in profits of partnership firm investments has been included in the accompanying standalone financial statements solely based on the report of other auditors. Our opinion is not modified in respect of this matter.

For S.R. Batliboi & Associates LLP  
Chartered Accountants  
ICAI Firm Registration Number: 101049W/E300004



per Adarsh Ranka  
Partner  
Membership Number: 209567

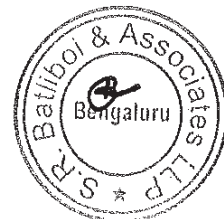


Place: Bengaluru, India  
Date: May 19, 2016

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

Re: Sobha Limited (‘the Company’)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) (a) The Company has granted interest free unsecured loan and subscribed to unsecured debentures to two parties covered in the register maintained under Section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant for such loan/ debentures are not prejudicial to the Company’s interest, considering Company’s economic interest in such entities, wherein it has granted interest free loan.
- (b) The loan granted is re-payable on demand and the repayment of the principal amount is as demanded and thus, there has been no default on the part of the parties to whom the money has been lent. The unsecured debentures are compulsorily convertible into equity shares on expiry of 19 years from date of issue or on happening of certain events. As explained to us, events warranting conversion of compulsorily convertible debentures have not happened. The payment of interest is regular as per the agreed terms.
- (c) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 189 of the Companies Act, 2013 which are outstanding for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, provisions of Section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.
- (v) The Company has not accepted any deposits from the public.

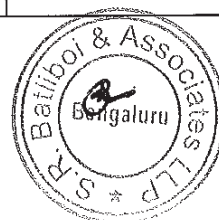


# **S.R. BATLIBOI & ASSOCIATES LLP**

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- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013, related to the construction of buildings/ structures and other related activities, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, 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.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute are as follows:

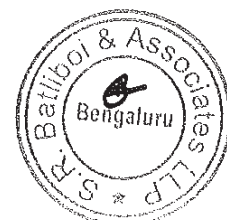
| Name of the statute          | Nature of dues               | Amount *<br>(₹ in million) | Period to which amount relates | Forum where dispute is pending |
|------------------------------|------------------------------|----------------------------|--------------------------------|--------------------------------|
| Andhra Pradesh Sales Tax Act | Basis of charge of sales tax | 26.92                      | 2002-04                        | High Court                     |
| Karnataka Sales Tax Act      | Basis of charge of sales tax | 30.68                      | 1998-06                        | Sales Tax Appellate Tribunal   |
| Karnataka Sales Tax Act      | Basis of charge of sales tax | 64.55                      | 2003-05                        | High Court                     |
| Karnataka Sales Tax Act      | Basis of charge of sales tax | 127.27                     | 2007-08                        | High Court                     |
| Karnataka Sales Tax Act      | Basis of charge of sales tax | 25.60                      | 2008-09                        | High Court                     |
| Karnataka Sales Tax Act      | Basis of charge of sales tax | 28.62                      | 2009-10                        | High Court                     |
| Kerala Sales Tax Act         | Basis of charge of sales tax | 20.97                      | 2012-13                        | Deputy Commissioner (Appeals)  |



# **S.R. BATLIBOI & ASSOCIATES LLP**

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| Name of the statute                        | Nature of dues               | Amount *<br>(₹ in million) | Period to which amount relates | Forum where dispute is pending                    |
|--------------------------------------------|------------------------------|----------------------------|--------------------------------|---------------------------------------------------|
| Haryana Sales Tax Act                      | Basis of charge of sales tax | 177.03                     | 2012-14                        | Joint Excise and Taxation Commissioner (Appeals)  |
| Income Tax Act                             | Differential tax treatment   | 1.65                       | 1999-01                        | High Court                                        |
| Income Tax Act                             | Differential tax treatment   | 1.89                       | 1999-01                        | Income Tax Appellate Tribunal                     |
| Income Tax Act                             | Disallowances                | 10.40                      | 2008-09                        | Commissioner of Income Tax (Appeal)               |
| Income Tax Act                             | Disallowances                | 4.60                       | 2007-11                        | Additional Commissioner of Income Tax             |
| Income Tax Act                             | Disallowances                | 153.21                     | 2005-07                        | High Court                                        |
| Income Tax Act                             | Disallowances                | 1,236.96                   | 2006-14                        | Commissioner of Income Tax (Appeal)               |
| Finance Act, 1994 (Service Tax Provisions) | Basis of valuation           | 95.67                      | 2006-08                        | Central Excise and Service Tax Appellate Tribunal |
| Finance Act, 1994 (Service Tax Provisions) | Service tax demand           | 790.44                     | 2006-07                        | Supreme Court                                     |
| Finance Act, 1994 (Service Tax Provisions) | Disallowances                | 4.23                       | 2002-07                        | Central Excise and Service Tax Appellate Tribunal |
| Finance Act, 1994 (Service Tax Provisions) | Service tax demand           | 119.32                     | 2008-11                        | Central Excise and Service Tax Appellate Tribunal |
| Finance Act, 1994 (Service Tax Provisions) | Service tax demand           | 392.07                     | 2006-12                        | Central Excise and Service Tax Appellate Tribunal |



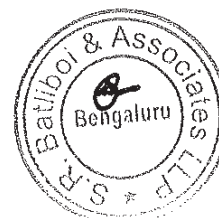
# **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

| Name of the statute                           | Nature of dues             | Amount *<br>(₹ in million) | Period to which amount relates | Forum where dispute is pending                           |
|-----------------------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------------------------------------|
| Finance Act, 1994<br>(Service Tax Provisions) | Service tax demand         | 67.72                      | 2012-13                        | Commissioner of Central Excise and Service Tax (LTU)     |
| Finance Act, 1994<br>(Service Tax Provisions) | Service tax demand         | 0.33                       | 2008-11                        | Commissioner of Central Excise and Service Tax (Appeals) |
| Customs Act, 1962                             | Differential tax treatment | 1.27                       | 2010-11                        | Central Excise and Service Tax Appellate Tribunal        |
| The Central Excise Act, 1944                  | Excise duty demand         | 6.67                       | 2013-16                        | Central Excise and Service Tax Appellate Tribunal        |

\* Net of ₹ 226.52 million, paid under protest.

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders or government.
- (ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of debt instruments in the nature of Non-convertible debentures and term loans (representing loans with a repayment period beyond 36 months) for the purposes for which they were raised.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

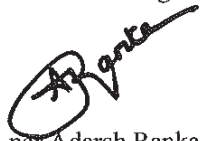


# **S.R. BATLIBOI & ASSOCIATES LLP**

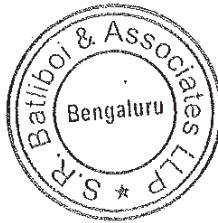
Chartered Accountants

- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP  
Chartered Accountants  
ICAI Firm Registration Number: 101049W/E300004



per Adarsh Ranka  
Partner  
Membership Number: 209567



Place: Bengaluru, India  
Date: May 19, 2016

**Annexure 2 to the Independent Auditor's Report of even date on the standalone financial statements of Sobha Limited**

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

To the Members of Sobha Limited

We have audited the internal financial controls over financial reporting of Sobha Limited [formerly known as Sobha Developers Limited] ("the Company") as of March 31, 2016 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**

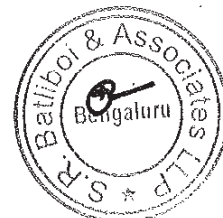
The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 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 information, as required under the Companies Act, 2013.

**Auditor's 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 as specified 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 judgement, 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 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.

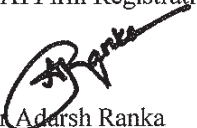
**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

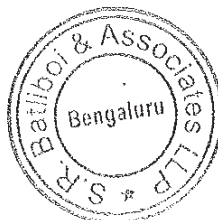
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal 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 March 31, 2016, 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.

For S.R. Batliboi & Associates LLP  
Chartered Accountants  
ICAI Firm Registration Number: 101049W/E300004

  
per Adarsh Ranka  
Partner  
Membership Number: 209567



Place: Bengaluru, India  
Date: May 19, 2016