

SOBHA DEVELOPERS LIMITED

PROFIT/LOSS A/C

AND

BALANCE SHEET

2005-06

DIRECTORS' REPORT

Your directors have pleasure in submitting their Eleventh Annual Report of your Company.

The financial report for the year ending 31st March 2006 establishes Sobha Developers as the dominant player in Bangalore Real Estate market and one of the largest real estate developers in India. The current year performance is a reaffirmation of our belief that people are willing to buy homes, when international quality is made affordable.

FINANCIAL RESULTS AND OPERATIONS:

Current year's operational result reflects Company achieving greater heights in terms of volume and sales figures. The Turnover has grown from Rs. 4651.86 million to Rs.6284.34 million, which is an increase of 35% over the previous year. Profit before Tax increased from Rs. 485.03 million to Rs 1067.24. Million, an increase of 120 % over the previous year.

The company has successfully completed many Real Estate projects viz; Malachite I,II, III, which are one of the finest Row Houses Bangalore has seen, along with other projects like Quartz, Aquamarine, Amber, Sunflower, and Orchid.

Several new projects have been launched during the year, viz. Sobha Aster, Sobha Iris, Sobha Lotus, Sobha Magnolia, Sobha Jasmine, Sobha Primrose, Sobha Dahlia, Sobha Daisy, Sobha Carnation, Sobha Daffodil and Sobha Mayflower.

It is no surprise, that our real estate wing has been able to sell over 2300 apartments in last financial year, which clearly establishes a leading march over our competitors in the same space. Apart from this, your Company was able to achieve a turnover of Rs. 2050 million on Contractual works of our leading Corporate Clients.

We expect that with new project launches made in 2005-06 will give a boost to the larger turnover in the year 2006-07.

The board takes pleasure in announcing that the company's capability in delivery has increased manifold and have been able to deliver over 3.9 million square feet construction during the year 2005-06. We take pride that we have been using the most modern tools, techniques & technologies available in the International Arena and our engineers are well versed in the their usage. They are well trained in Civil Engineering and project management skills, through regular in-house training and from external agencies to further shorten delivery schedules without compromising on quality in construction .

We are gearing ourselves as we progress, to accepting newer challenges and having our capabilities extended to deliver over 8 million square feet in the ensuing year by scaling up our operation.

During the year under review, we have successfully completed many projects for our prestigious client at Bangalore, Chennai, Hyderabad, Bhubaneshwar, Chandigarh, Pune and Mysore.

We have commenced the work at Mysore for one of our prestigious clients to construct around 4 million sq. ft. hostel complex. Apart from Mysore your company is executing several contracts at various centers, and we expect to execute over 10 million sq. ft. of contractual work in next two years by our contractual division alone.

We have commenced the production in the block making Unit located at Bommasandra Industrial Estate, Bangalore, in December 2005, which we have imported from Germany. The fully automated unit has already reached 70% capacity in production within 3 months of its start and has been continuously working on double shift basis to cater to our real estate and contractual project requirements.

This totally sophisticated and automated unit with no manual handling procedures has given flawless and absolutely perfect blocks with highest strength parameters, reaffirming Sobha's quality standards and is now become a lofty goals & a role model for other block making unit manufacturers who supply to other construction companies.

In addition, we have set up a sophisticated Lab and R & D unit for testing quality of raw material used in the manufacture of Blocks. The lab is also equipped to test the finished block's quality as per international standards. Your company has achieved one more successful backward integration, with its drive for perfection and newer accomplishments.

We have placed order for a sophisticated Kerb plant from United Kingdom at the investment of Rs 70 million and is likely to be installed shortly adjacent to our block making unit. This plant is likely to commence production by July 2006. The Kerb plant will manufacture high quality Kerb slabs for roads and designer pavers slabs for foot paths/walkways, and will be mainly used for our in-house and contractual projects.

FINANCIAL RESULTS: (Rs. Million)

Particulars	2005-06	2004-05
Sales & Other Income	6284.34	4651.86
Profit Before Tax	1067.24	485.03
(-) Provision for Tax	182.40	138.53
Profit After Tax	884.84	346.50
(+) Profit Brought Forward	306.32	68.71
Profit Available for Appropriation	1191.16	415.21
(-) Preference Dividend Recommended & Tax thereon	6.97	0.04
(-) Interim Dividend Paid & Tax thereon	165.12	71.71
(-) Transfer to General Reserve	200.00	37.50
(+) Excess provision of Tax of earlier years	0.11	0.36
Profit carried to Balance Sheet	819.18	306.32
Earning Per Share (In Rs.)	41.53	16.41

The Board had declared Interim dividend @ Rs 6.85/- per share during 2005-06 and currently Board is not recommending any additional & final dividend for the year 2005-06. Board recommends 7% dividend on Preference Capital for the year 2005-06. A sum of Rs. 200 Million has been transferred to General Reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Market:

The year 2005-06 has witnessed continued buoyancy in Real Estate market, more specifically reflected in line with over all growth of Indian Economy. Since Real Estate / Housing Sector is now open to FDI investment opportunities, and active interest shown by overseas real estate / financing companies in the India Growth model, we see this will trigger further growth in Real estate activity all over the country.

With the Company's high standards in quality and timely delivery without compromising on basic principles of transparency and fairness, it has grown to be a dominant player in Bangalore.

We have recently witnessed a spurt in interest rates in Housing sector in the last few months. However we observe that the interest rates are affordable and your company does feel that this should not affect the long term perspective of the industry.

The market scenario is very encouraging in cities like Cochin, Chennai, Pune, Mysore and Delhi. We intend to expand our scale of operations to various cities and centers in India, keeping in mind the all round growth and demand seen in the real estate sector.

We believe that the recent trends of growth in Real Estate, is sustainable due to buoyancy shown in all sector of the economy.

2. Quality:

The quality in Construction is the lifeline of your company and imparted by your company in aspects of the product and service. The company's continued commitment to excellence, and its efforts to continually deliver quality in all its projects, has led to being recognized as leaders in its business. The company has ensured that it adopts cutting edge construction technology in all its activities.

At all its Project sites, the company has full-fledged state-of-the-art equipment, mostly imported from Germany. The company's strong emphasis on quality has led to employment of even German Engineers to conduct quality assurance activities under the direct supervision of Vice Chairman.

All engineers and site supervisors are regularly imparted training in the newer methodology and also in the use of latest tools and techniques in construction methods.

Significant Capital expenditure is being incurred by the company to ensure deployment of latest available technology in the areas of shuttering, formwork, plumbing and water proofing technologies. The emphasis is always on aesthetics, functionality, durability and quality of construction in all its activities.

3. Safety:

Safety and security of the personnel, assets and environmental protection are on top of the agenda of all Sobha Projects. Every activity is discussed with safety in mind, and every solution complies with our safety policy.

The company has a well documented technology manual, which clearly states the role of the project management team in implementing safety standards at the project sites. The company is also planning to go ahead with implementation of OSHAS 14001 and 18000 within the organization. This will improve already available consciousness towards environment and safety within the organization.

4. Human Resources Development

At Sobha, our Passion At Work translates into improving daily living and enabling our employees to reach her/his full potential. Several new initiatives have been taken by HR department to meet aspirations of employees, which include continuous training, work life balance, career advancement of supervisors by company-sponsored engineering course.

New techniques and training methodologies are being introduced to make employees more competitive to global standards in construction to meet the challenges of the future. In order to ensure the key principle "Learning and relevance", the company offers comprehensive world-class training in its "Sobha Construction Academy" for our tradesman and new entrants in the category of tradesman for imbibing the spirit of excellence, at the company's cost.

The Company encourages individuals to go beyond the scope of their work, undertakes voluntary tasks that enable them to learn, contribute their innovative ideas and deliver world class quality at unimaginable speed. They are also rewarded for their innovation in process, products and methods. A proper systematic evaluation systems is put in place, which enables Innovations gets translated into our daily operations.

The company has introduced several Award and incentives Scheme to maintain the high morale and recognition of exemplary and extraordinary performance by our employees. The above schemes and mechanism has significantly helped in retaining talented employees and also have great contributors in the high level of performance of the organization.

The company to meet the challenges of foreign participants in the construction industry with the opening of the FDI investment has taken steps to ensure that employees are exposed to the latest architectural and construction technology. Senior employees of the company have been sent abroad on study tours.

The company has grown in strength from 1183 numbers to 2125 numbers in the last year. The growth rate is almost 100 % over the last year staff strength. The budget for the training has been increased to more than Rs 5 million this year and with these initiatives the company is geared to meet the challenges. The company has initiated several steps to ensure that talented employees are retained with the advent of foreign players in the construction field.

5. Social Responsibility and Community Development

As a responsible corporate citizen, Sobha believes that its corporate responsibilities extend beyond its project sites and offices. The Company believes that for ensuring sustainable all-round growth, organization growth objectives needs to be in line with overall development imperatives of society and the community at large.

The Company encourages, funds and develops numerous education, sports, health, human capital, infrastructure initiatives. These initiatives are undertaken through various organizations, including corporate, trusts and individuals. The Company's commitment to corporate social responsibilities has received a firm footing through the Donation to a Trust, whose objective is to maintain a world class old age home at Kerala, helping the needy people at appropriate time.

The company strongly believes in welfare of its workers and tradesman who are not in its role, by contributing to their and their families' medical / personal requirements in case of emergencies.

Your company has donated a well equipped mobile Ambulance to NGO Sanjeevani a 24 hour emergency service available in case of accidents. The said mobile van has been stationed near our site to attend any medical emergencies. In addition, the company has started setting up full-fledged medical clinics with well trained para medics near the project sites, so that minor emergencies can be handled.

6. Plans:

The company launched 11 new projects in Bangalore adding over 4 million sq. ft. of real estate space in the booming Bangalore market in year 2005-06, Your company is very happy to inform that most your company's projects are sold out at the marketing phase itself. We expect that these new launches should add over Rs 11000 million to top line over period of next two years.

The Company's Real Estate Development is predominantly in Bangalore, which happens to be one of the fastest growing cities in India. The company is looking at growth opportunities viz in Chennai, Cochin, Mysore, Pune, Mumbai and New Delhi in near future. The land acquisition program has already commenced and your company should be able to launch projects in these cities by next financial year.

Company is looking at various options of growth and plans to enter into the area of Mall / Retail business for which it has identified 17 acres of land in Bangalore for joint development and will be called the Sobha Global Mall. This mall will be largest of its kind developed in India on a shoppertainment theme, having a plethora of shopping complex, amusement park, hotel, convention centre, multiplex, ice skating rink and multilevel car park. The Mall is being designed to park a whopping 4500 cars at a time. The Mall is in design stage and company expects to invest over Rs. 500 crores in the project in next three years. The mall is expected to be operational in the year 2008-09.

Your company has continuously launched many new projects to meet the requirements of various market segments in mind. Some of the apartments are priced at a launch price of Rs. 3.4 million. The company also plans land requirement in such a way that it has adequate rolling stock of land to meet the market and development leads.

The Board has initiated several steps to meet this ambitious growth targets by putting technology and people in place. During the year, staff strength has grown more than 100 % from the previous year, and current strength has crossed over 2500 employees. Board is very proud of employee's significant contribution & sincerely thanks them for the success of your company.

7. Reorganization :

With effect from 3rd April 2006 the company proposes to take over running business of Sobha Glazing & Metal Works Pvt. Limited, Sobha Interiors Private Limited and Sobha Space Private Limited. This has been done with view to consolidate backward integration process of your company's all business activities and improvement in value proposition of stake holders. Your Board has approved this reorganization and as such all business activities of these entities will be part of your company.

8. Initial Public Offer.

To fund the future requirements of land procurements, development expenses, construction expenses of various projects, and to have more visibility in the market, your company plans for IPO in the year to come. The Company has identified the Book Running Lead Managers to handle the issue. Management expects that, the shares of your company will be listed during the year 2006-07 in India's leading stock exchanges.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO.

Your Company being engaged in Real Estate development activities with manufacturing activity, the Directors report on the Conservation of energy, Research and Development and Technology absorption is given below.

Technology Absorption :- The Company has successfully absorbed technology to manufacture concrete blocks imported from Germany. The plant is equipped with sophisticated programmable controls and operates with least manpower.

Energy Conservation :- The Company has successfully deployed capacitor bank to optimize energy usage and keep the power factor at levels near utility. The imported block making unit fitted with many motors, equipped with frequency converters that allow infinitely variable speed control which leads to lower energy consumption.

Foreign exchange outgo arising out of import of raw materials and other payments is separately given in Notes to accounts.

PARTICULARS OF EMPLOYEE:

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended regarding employees, is given in Annexure A to the Directors Report.

DIRECTORS:

Col V K Balan and Mrs. Sobha Menon resigned from the Directorship of the Company during March 2006. Lt Gen. Mathew Mammen and Mrs. Sobha Menon have joined the Board during May 2006. We place on record our deep appreciation of the services rendered by Col. V K Balan during his tenure on the Board.

DIRECTORS RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES (AMENDMENT) ACT, 2000

The Directors hereby confirm:

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. That 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 or loss of the Company for that period;
- iii. That the Directors had taken proper and sufficient care for the 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 fraud and other irregularities;
- iv. That the directors had prepared the annual accounts on a going concern basis

AUDITORS:

M/s S. Janardhan & Associates, Chartered Accountants retire as the Auditors of the Company at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENT:

We take this opportunity to thank UTI Bank, Corporation Bank, ICICI Bank Ltd, Canara Bank, Dhanalakshmi Bank, HDFC, Andhra Bank, State Bank Of India, UCO Bank, Standard Chartered Bank SREI Infrastructure Finance Ltd. for their continued support. We also take this opportunity for all the suppliers, our workers, tradesman and in particular all the employees for their dedication and hard work in achieving the results for this year.

By Order of the Board

**J.C.Sharma
Managing Director**

Place : Bangalore
Date : 13th May 2006

ANNEXURE A

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies(Particulars of Employees) Rules, 1975.

Sl No	Name	Age	Designation	Gross Remuneration	Qualification	Total Experience	Date of commencement of Employment	Last Employment held	% of shares Held
1	Mr. P N C Menon	58	Chairman	18,515,681	Entrepreneur	30 Years	Since inception of the company	-	34.80
2	Mr. Ravi Menon	25	Vice Chairman	13,572,000	Civil Engineer Purdue University, USA	1 Year	June 6, 2004	-	0.01
3	Mr. J C Sharma	48	Managing Director	23,262,867	B. Com, ACA,ACS	22 Years	June 1, 2001	Grasim Industries Ltd	-
4	Mr. Rajan Nambiar	54	Director	3,737,849	DME, AMIE	33 Years	April 1, 1996	Oman Builders Pvt. Ltd	-

Note : Mr Ravi Menon is related to Mr P N C Menon

AUDITORS' REPORT

To
The Shareholders,

We have audited the attached Balance Sheet of **M/s SOBHA DEVELOPERS PRIVATE LIMITED, BANGALORE**, as at 31st March 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
- 2 Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - 2.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - 2.2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - 2.3 The Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with books of account and returns.
 - 2.4 In our opinion, the Balance sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - 2.5 On the basis of written representations received from the directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - 2.6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - 1 In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006 and
 - 2 In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - 3 In the case of the Cash flow statement, of the Cash Flows of the Company for the year ended on that date.

For **M/s S. JANARDHAN AND ASSOCIATES**
CHARTERED ACCOUNTANTS

PLACE BANGALORE
DATE 11th May 2006

(B. ANAND)
PARTNER
Membership No.: 29146

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in para I of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and nature of its business. No material discrepancies were noticed on such verification.
- (c) The company has not sold substantial part of fixed assets during the year and hence the provisions of sub clause (c) of clause (i) of this order are not applicable.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper record of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has granted unsecured loan to a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.30.00 Million and the year end balance of such loan granted to such company is Rs. Nil. However, the company has not granted any loan, secured or unsecured, to firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to other companies covered in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company.
- (c) The other company has fully repaid the principal amount as at the year-end and have been regular in payment of interest.
- (d) There is no overdue amount of loan granted to company covered in the register maintained under section 301 of the Companies Act, 1956.
- (e) The company had not taken any loan secured or unsecured from the companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956 and hence the provisions of clause (iii)(e), clause (iii)(f) and clause (iii)(g) of the said order (as amended) are not applicable.

- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchases of inventory and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered in to the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 0.5 million in respect of any party during the year has been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposit from the public and hence the provisions of clause 4(vi) of the Companies (Auditor's Report) order, 2003 (as amended) are not applicable to the company.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records as required under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- (ix) (a) According to the information and explanations given to us and books and records as produced and examined by us, in our opinion, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess, wherever applicable and other material statutory dues applicable have been regularly deposited by the company during the year with the appropriate authorities.
- (b) According to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Sales tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and cess were in arrears, as at 31st March, 2006 for a period of more than six months from the date they become payable.
- (c) According to the information and explanation given to us, there are no dues of Income Tax, Sales tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, there are no accumulated losses and the company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to information and explanation given to us, the company has not defaulted in repayment of dues to banks and financial institutions. There are no dues to debenture holders during the year.

- (xii) The company has not granted loans and advances on the basis of security of pledge of shares, debentures and other securities. Accordingly the provisions of clause 4(xii) of the Companies (Auditors' Report) Order, 2003(as amended) are not applicable to the company.
- (xiii) In our opinion, the company is not a chit fund or a Nidhi/Mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003(as amended) are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- (xv) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the company.
- (xvi) According to information and explanations given to us, in our opinion, the term loans raised by the company have been utilized for the purposes for which they were obtained.
- (xvii) According to information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investments.
- (xviii) The company has not made any preferential allotment of shares during the year and hence the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order,2003 (as amended) are not applicable to the company.
- (xix) The company has not issued any debentures during the year and hence the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- (xx) The company is a private limited company and as such the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practice in India and according to information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For M/s S. JANARDHAN AND ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE: BANGALORE
DATE: 13th May 2006

(B. ANAND)
PARTNER
Membership No.: 29146

BALANCE SHEET AS AT 31st MARCH 2006

Rs. in Million

Particulars	Schedule	As at March 31, 2006	As at March 31, 2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	298.69	298.69
Reserves & Surplus	2	1,069.62	356.76
		1,368.31	655.45
Loan Funds			
Secured Loans	3	4,208.09	2,209.04
Unsecured Loans	4	23.00	23.62
		4,231.09	2,232.66
Deferred Tax Liability	5	22.61	23.55
Total Funds Employed		5,622.01	2,911.66
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	1,251.53	556.79
Less : Depreciation		252.42	125.48
Net Block		999.11	431.31
Capital Work In Progress		21.14	122.85
		1,020.25	554.16
Investments	7	26.99	0.23
Deferred Tax Asset	8	5.89	1.45
Current Assets, Loans and Advances			
Inventories	9	2,543.96	1,905.44
Sundry Debtors	10	802.97	363.94
Cash and Bank Balances	11	449.68	65.77
Loans and Advances	12	5,176.97	2,236.44
Total		8,973.58	4,571.59
Current Liabilities and Provisions			
Current Liabilities	13	4,016.45	1,997.75
Provisions		388.25	218.02
Total		4,404.70	2,215.77
Net Current Assets		4,568.88	2,355.82
Total Funds Utilised		5,622.01	2,911.66
Notes to the Accounts	19		

The Schedules referred to above form an integral part of the Accounts

For Sobha Developers Private Limited

P.N.C. Menon
ChairmanRavi Menon
Vice ChairmanJ C Sharma
Managing DirectorP.Kanodia
VP - FinanceK.Suresh
VP - Corporate &
Company SecretaryPlace : Bangalore
Date : May 13, 2006As per our report of even date
For S.Janardhan & Associates
Chartered AccountantsPlace : Bangalore
Date : May 13, 2006B.Anand - Partner
Membership No. 29146

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

		Rs. in Million	
Particulars	Schedule	For the year ended March 31, 2006	For the year ended March 31, 2005
INCOME			
Sales and Contractual Income		5966.15	4530.64
Other Income	14	318.19	121.22
Increase In Inventories	15	638.52	1259.82
Total		6922.86	5911.68
EXPENDITURE			
Land Cost Expenses		781.09	1053.98
Construction Expenses	16	3613.11	3604.11
Administrative Expenses	17	1113.85	596.45
Finance Charges	18	219.38	109.36
Depreciation	6	128.19	62.75
Total		5855.62	5426.65
Profit before Taxation		1067.24	485.03
Less : Provision for			
- Income Tax		185.10	122.92
- Wealth Tax		0.16	0.16
- Fringe Benefit Tax		2.51	-
- Deferred Tax		(5.37)	15.45
Profit after Taxation		884.84	346.50
Less : Interim Dividend		144.81	63.42
Tax on Dividend		20.31	8.29
Dividend on Preference Shares		6.11	0.03
Tax on Preference Shares Dividend		0.86	0.01
		712.75	274.75
Add: Balance of Profit brought forward		306.32	68.71
Income Tax relating to earlier years		0.11	0.36
Less: Transfer to General Reserve		200.00	37.50
Surplus carried to Balance Sheet		819.18	306.32
Earnings Per Share - Basic & Diluted		41.53	16.41
Notes to the Accounts	19		

The Schedules referred to above form an integral part of the Accounts

For Sobha Developers Private Limited

P.N.C. Menon
Chairman

Ravi Menon
Vice Chairman

J C Sharma
Managing Director

P.Kanodia
VP - Finance

K.Suresh
VP - Corporate &
Company Secretary

Place : Bangalore
Date : May 13, 2006

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place : Bangalore
Date : May 13, 2006

B.Anand - Partner
Membership No. 29146

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule 1 - Share Capital

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
Authorised Share Capital 30,000,000 (Previous Year 22,000,000) Equity Shares of Rs.10/- each	300.00	220.00
2,000,000 (Previous Year 2,000,000) 7% Redeemable Preference Shares of Rs.100/- each	200.00	200.00
Total	500.00	420.00
Issued, Subscribed and Paid-up 21,140,480(Previous Year 21,140,480) Equity Shares of Rs.10/- each fully paid up	211.40	211.40
872,843(Previous Year 872,843) 7% Redeemable Preference Shares of Rs.100/- each fully paid up	87.29	87.29
Total	298.69	298.69

Schedule 2 - Reserves & Surplus

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
General Reserve		
Opening Balance	50.44	12.94
Add: Transfer from Profit and Loss Account during the year	200.00	37.50
(a)	250.44	50.44
Profit and Loss Account		
Profit and Loss Account	819.18	306.32
(b)		
Total	1,069.62	356.76
(a)+(b)		

Schedule 3 - Secured Loans

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
(Refer Notes to Accounts for Securities offered)		
Term Loans	3106.20	1552.18
Cash Credit and Other Facilities	1003.80	652.12
Vehicle/Equipment Loans	98.09	4.74
Total	4,208.09	2,209.04

Schedule 4 - Unsecured Loans

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
From Directors	23.00	23.62
Total	23.00	23.62

Schedule 5 - Deferred Tax Liability

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
Attributable to Depreciation/Amortisation of Intangible Assets	22.61	23.55
Total	22.61	23.55

Schedule 6 - Fixed Assets

Rs. in Million

Description	Gross Block				Depreciation				Net Block	
	As at 01-Apr-05	Additions during year	Deletions during year	As at 31-Mar-06	As at 01-Apr-05	For the year	Deletions	As at 31-Mar-06	As at 31-Mar-06	As at 31-Mar-05
Land Own	5.08	25.35	-	30.43	-	-	-	-	30.43	5.08
Lease Hold Land	-	26.49	-	26.49	-	-	-	-	26.49	-
Buildings	18.89	89.51	-	108.40	2.33	4.06	-	6.39	102.01	16.56
Plant & Machinery	438.32	506.89	-	945.21	81.35	103.60	-	184.96	760.25	356.97
Furniture & Fixtures	9.46	3.78	0.22	13.02	5.21	1.12	0.01	6.31	6.71	4.25
Computers	33.73	17.32	-	51.05	16.13	9.44	-	25.57	25.48	17.60
Office Equipment	14.14	7.70	0.23	21.61	2.93	2.30	0.01	5.22	16.39	11.21
Vehicle	33.27	19.00	1.74	50.53	16.34	6.31	1.22	21.43	29.10	16.93
Intangible Assets - Software	3.90	0.89	-	4.79	1.19	1.36	-	2.54	2.25	2.71
Total 2005-06	556.79	696.93	2.19	1,251.53	125.48	128.19	1.24	252.42	999.11	431.31
Previous Year	(256.88)	(299.93)	(0.00)	(556.79)	(62.73)	(62.75)	(0.00)	(125.48)	(431.31)	(194.15)

Note : In respect of Sale cum Lease hold Land, the registration formalities are yet to be completed.

Schedule 7 - Investments

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
- (Non-Trade, Unquoted, at cost) - In Government Securities National Saving Certificates	0.09	0.09
- (Unquoted, at cost) - In Equity Shares 2,680,000 (Previous Year NIL) Equity Shares of Sobha Renaissance Information Technology Private Limited of Rs.10/- each fully paid up.	26.80	-
- In Subsidiary (Unquoted, at cost) - In Equity Shares 1,000 (Previous Year NIL) Equity Shares of SBG Housing Pvt. Ltd of Rs.100/- each fully paid up.	0.10	-
- (Quoted, at cost) - In Equity Shares ICICI Bank Limited - Nil (Previous Year 500) Equity Shares of Rs.10/- each fully paid up	-	0.14
Total	26.99	0.23

Schedule 8 - Deferred Tax Asset

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
Attributable to expenses allowable when paid	5.89	1.45

Schedule 9 - Inventories (valued & certified by management)

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
Stock - in Trade	4.78	4.78
Stock of Building Materials	11.26	4.34
Work - in - Progress	2527.92	1896.32
Total	2,543.96	1,905.44

Schedule 10 - Sundry Debtors (unsecured, considered good)

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
Debts outstanding for a period exceeding six months	23.85	23.92
Other Debts	779.12	340.02
Total	802.97	363.94

Schedule 11 - Cash and Bank Balances

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
Cash on Hand	4.77	11.07
Balances with Scheduled Banks :		
In Current Accounts	173.99	43.03
In Deposit Accounts	270.92	11.67
Total	449.68	65.77

Schedule 12 - Loans and Advances

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	4719.96	1951.74
Interest Receivable	1.60	0.20
Advance Tax and Tax deducted at source	405.35	192.90
Deposits	50.06	91.60
Total	5,176.97	2,236.44

Schedule 13 - Current Liabilities and Provisions

Rs. in Million

Particulars	As at March 31, 2006	As at March 31, 2005
Current Liabilities	3374.49	1501.29
Advance received from customers	255.83	205.94
Sundry Creditors	376.34	286.36
Other Liabilities	2.31	1.61
Interest Accrued but not due on loans	6.14	0.03
Preference Dividend Payable	1.34	2.52
Director's Current Account		
Sub Total	4,016.45	1,997.75
Provisions	-	4.49
Provision for Gratuity	385.49	213.35
Provision for Income Tax & Dividend Tax	0.25	0.18
Provision for Wealth Tax	2.51	-
Provision for Fringe Benefit Tax		
Sub Total	388.25	218.02
Total	4,404.70	2,215.77

Schedule 14 - Other Income

Rs. in Million

Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
Interest Received (TDS Rs. 2186123(Rs.403659))	11.04	2.28
Profit on sale of Investments	0.08	3.82
Other Charges	286.09	87.50
Miscellaneous Income	20.44	25.17
Dividend from Investments	0.20	2.45
Profit on sale of Asset	0.34	-
Total	318.19	121.22

Schedule 15 - Increase in Inventories

Rs. in Million

Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
Closing Inventory		
Work-in-progress	2527.92	1896.32
Stock in Trade	4.78	4.78
Building Materials	11.26	4.34
(a)	2543.96	1905.44
Opening Inventory		
Work-in-progress	1896.32	571.91
Stock in Trade	4.78	22.61
Building Materials	4.34	51.10
(b)	1905.44	645.62
Total (a) - (b)	638.52	1259.82

Schedule 16 - Construction Expenses

Rs. in Million

Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
Aluminium, Steel Works & Structural Glazing Works	216.79	309.34
Civil Works	2421.72	2465.81
Electrical & Airconditioning Works	328.36	346.89
Interior & Wood Works	251.32	144.39
Miscellaneous works	394.92	337.68
Total	3613.11	3604.11

Schedule 17 - Administrative Expenses

Rs. in Million

Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
Auditors Remuneration	0.60	0.23
Electricity charges	17.65	14.24
Insurance	52.12	1.52
Rates and Taxes	0.69	1.31
Registration Expenses - Flats	139.25	49.91
Rent	36.88	23.22
Repairs and Maintenance - Machinery	4.06	4.90
Repairs and Maintenance - Others	5.04	5.93
Salaries and Wages	255.50	173.50
Contribution to Provident & Other Funds	16.75	23.84
Sales Tax	342.03	112.97
Sales Commission	3.85	6.04
Staff Welfare	13.36	23.58
Foreign Exchange Fluctuation (net)	2.33	0.61
Miscellaneous Expenses	223.74	154.65
Total	1113.85	596.45

Schedule 18 - Finance Charges

Particulars	Rs. in Million	
	For the year ended March 31, 2006	For the year ended March 31, 2005
Interest on Term Loans	172.67	83.60
Interest on Other Loans	46.71	25.76
Total	219.38	109.36

Schedule, 19 - Significant Accounting Policies and Notes to Accounts:

- 1.0 Significant Accounting Policies:
- 1.1 Basis of Accounting
The Company follows accrual method of accounting except where the receipt of income is uncertain and is in accordance with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.
- 1.2 (i) **Recognition of Revenue from Contractual Projects:**
Revenue from Contractual Projects undertaken is recognized on the basis of the certification issued by the client.
- (ii) **Recognition of Revenue from Real Estate Developmental Projects:**
Revenue from each Real Estate Developmental Project is recognized:
- On the basis of "Percentage Completion Method".
 - The percentage completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs.
 - When the stage of completion of each project reaches a significant level, which is estimated to be at least 25% of the total estimated cost of the project.
- 1.3 **Sale of Plot/Apartments:**
Sale of Plots/Apartments is net after adjustments on account of cancellation.
- 1.4 **Fixed Assets**
Fixed Assets are stated at historical cost inclusive of freight and other direct expenses less depreciation to date.
- 1.5 **Depreciation/Amortization:**
- Depreciation on assets is provided on Written Down Value(WDV) method on a pro-rata basis at the rates as set out in Schedule XIV of the Companies Act, 1956 except for steel scaffolding items which is calculated at 16.67% on Straight Line Method (SLM), based on estimated useful life of 6 years.
 - Assets purchased, where the cost does not exceed Rs.5000/- is depreciated at the rate of 100 % in the year of purchase.
 - Centering materials made out of materials other than steel is charged off to the project and centering materials of steel is treated as plant and machinery and depreciation is accordingly provided.
 - Expenditure incurred on Software development is capitalized under the head Intangible asset and is amortized over a period of 3 years on a pro-rata basis, which is estimated to be the useful life of the asset.
 - During the year Company has revised the method of calculation of depreciation in respect of steel scaffolding items from 13.91% WDV method to 16.67% SLM. The impact of this revision with retrospective effect has resulted in enhanced depreciation of Rs.16.23 million relating to earlier years and being charged to the Profit and Loss account during the current year. Had there been no change in the method of calculation of depreciation, the profit for the year would have been higher by Rs. 18.47 million.
- 1.6 **Investments**
Investments are long term (unless otherwise stated) and are stated at cost except cases where provision is considered necessary.

1.7 Inventory

Direct expenses like site labour cost, materials used for project construction, costs for moving the plant and machinery to the site and general expenses incurred specifically for the respective project like, insurance, design and technical assistance, and construction overheads are taken as the contract cost of the respective project.

- (a) Work in Progress - Contractual Projects: Represents the work, which is yet to be certified by the client and other retentions and is calculated on an estimated basis.
- (b) Work in Progress - Real Estate Developmental Projects: Represents the cost incurred in respect of unsold area of the Real Estate Developmental Projects.
- (c) Stock of Plots and apartments, classified as stock in trade, are valued at cost or net realizable value whichever is lower.
- (d) Building Materials purchased specifically for projects are taken as consumed as and when received. Building Materials bought, not identified with any specific project are valued at cost.

1.8 Exchange Fluctuation:

- (a) Foreign Currency transactions are accounted at the exchange rates prevailing on the date of the transaction.
- (b) Gains and losses resulting from the settlement of Foreign Currency transaction and from the translation of monetary assets and liabilities denominated in Foreign Currencies are recognized in the Profit and Loss Account.
- (c) Exchange differences relating to Fixed Assets are adjusted to the cost of the asset.

1.9 Impairment of Assets:

Pursuant to Accounting Standard (AS28)-Impairment of Assets issued by the Institute of Chartered Accountants of India, the Company assessed its fixed assets for impairment as at March 31, 2006 and concluded that there has been no significant impaired fixed asset that needs to be recognised in the books of account.

1.10 Employee /Retirement benefits:

- (a) Provision for gratuity has been made on the basis of actuarial valuation obtained and debited to the Profit and Loss account.
- (b) Provision in respect of Leave encashment is made, based on accrual basis to the extent of the leave credit available to the employees as at the year-end.
- (c) Provision in respect of ex-gratia payment to employees and workers is made as and when accepted by the management.

1.11 Deferred Tax:

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.12 Treatment of contingent liabilities:

Contingent Liabilities not provided for are reflected in Notes on Accounts.

2 Notes to Accounts:

2.1 Previous year figures have been regrouped and reclassified wherever necessary to make them comparable.

2.2 Contingent Liabilities

- (a) The Company has executed a counter guarantee for Rs.99.98 million (Previous Year Rs. 42.00 million) against the guarantee issued by the Company's bankers.
- (a) The Company has executed a corporate guarantee for Rs.315.00 million (Previous Year Rs. 30.00 million) on behalf of the following group companies.
 - Sobha Interiors Pvt. Ltd. - Rs. 185.00 Million
 - Sobha Glazing & Metal Works Pvt. Ltd. - Rs. 60.00 Million
 - Sobha Space Pvt. Ltd. - Rs. 70.00 Million
- (b) The Company has offered its Land at Jakkur Village, Yelahanka Hobli, Bangalore North Taluk, as a collateral security to M/s Canara Bank on behalf of its group company M/s Sobha Interiors Private Limited.

- (c) The company has established Letter of credit towards supplies/capital goods amounting to Rs. 24.94 Million(Previous Year Rs. Nil)
- (d) Contingent Liability not provided for towards Sales Tax is Rs. 20.18 million(Previous year Rs. Nil) & towards Income tax is Rs 58.06 million (Previous year . Rs. Nil)
- (e) Contingent Liabilities – Estimated amount of contracts to be executed on Capital Account and not provided for is Rs.25.59 million (Previous year Rs. 6.81 million)

2.3 Details of Investment sold:

The following investments have been sold during the year.

a) Traded-Quoted-at cost:

Particulars	Units	Amount Million
ICICI Bank Ltd Shares	500	0.14

b) Mutual funds

Particulars	Purchased during the year		Sold during the year	
	No. of Units	Amount Million	No. of Units	Amount Million
Reliance - Treasury Plan	2620577	40.00	2620577	40.04
LICMF Liquid - Dividend Plan	9173961	100.00	9173961	100.16

2.4 The following group Companies have extended collateral securities in respect of loans availed by the company from its Bankers:

a. Securities given by M/s Sobha Innercity Technopolis Private Limited:

Rs. in Million

Nature of Loan	Description of Property offered as Security	Bank	Loan Facility Granted	Balance as on 31.03.2006/ (31.3.2005)
Term Loan	Equitable mortgage of Land and Building at Sobha Amber Project	UTI Bank Ltd.	600.00	Refer Item No 2.5.16
Term Loan	Equitable mortgage of Land and Building at Sobha Malachite II & III Project	UTI Bank Ltd.	600.00	Refer Item No 2.5.16
Term Loan	Equitable mortgage of Land and Building at Sobha Rose, Lotus Projects	Andhra Bank	300.00	Refer Item No 2.5.6
Short Term Loan	Equitable mortgage of Land and Building at Sobha Daffodil Project	ICICI Bank Ltd.	600.00	Refer Item No 2.5.1
Term Loan	Equitable mortgage of Land and Building at Sobha May Flower/Jasmine Project	Canara Bank	800.00	Refer Item No 2.5.4

b. Securities given by M/s Sobha Technocity Private Limited:

Rs. in Million

Nature of Loan	Description of Property offered as Security	Bank	Loan Facility Granted	Balance as on 31.03.2006/ (31.3.2005)
Term Loan	Equitable mortgage of Land and Building at Sobha Quartz Project	Canara Bank	800.00	Refer Point No 2.5.4
Line of Credit	Equitable mortgage of Land and Building at Sobha Hibiscus Project	Andhra Bank	300.00	Refer Point No 2.5.6

2.5 Details of Secured Loans and Securities offered by Sobha Developers Private Limited:

					Rs. in Million
Sl. No.	Nature of Loan	Description of Property offered as Security	Bank	Loan Facility Granted	Balance as on 31.03.2006 / (31.3.2005)
1	Line of Credit	Hypothecation of receivables of Sobha Daffodil Project	ICICI Bank Ltd.	600.00	600.00/(160.00)
2	Term Loan	Equitable mortgage of Land and Building at Sobha Iris Project	HDFC Limited	250.00	250.00/(150.00)
3	Term Loan	Equitable mortgage of Land and Building at Sobha Orchid Project	Corporation Bank (IFB)	450.00	22.67/(45.30)
4	Short Term Loan	Hypothecation of receivables of Sobha Quartz, Sobha Mayflower and Sobha Jasmine Projects	Canara Bank	800.00	552.83/(302.20)
5	Short term Loan	Equitable mortgage of Land and Building at Sobha Opal Project and recivables of Sobha Emerald, Sobha Onyx, Sobha Coral, Sobha Opal, Sobha Garnet, Sobha Zircon, Sobha Malachite I and Sobha Malachite II	Corporation Bank (IFB)	100.00	50.36/(Nil)
6	Line of Credit	Hypothecation of book debts of Sobha Hibiscus, Sobha Rose and Sobha Lotus Project	Andhra Bank	300.00	350.5/(281.70)
7	Term Loan	Hypothecation of Batching Plant - Block Making Unit	SREI Infrastructure Finance Ltd.	83.70	70.76/(80.00)
8	Cash Credit Facility	Hypothecation of receivables from Infosys Technologies Ltd Projects	UTI Bank Ltd.	400.00	251.81/(176.80)
9	Cash Credit Facility	Hypothecation of Building Materials	The Dhanakshmi Bank Ltd.	25.00	24.93/(9.50)
10	Term Loan	Equitable mortgage of Land and Building at Sobha Aster Project	The Dhanakshmi Bank Ltd.	90.00	40.25/(Nil)
11	Term Loan and Overdraft	Hypothecation of receivables of Sobha Daisy Project	Standard Chartered Bank	300.00	130.79/(Nil)
12	Term Loan	Hypothecation of receivables of Sobha Magnolia Project	UCO Bank	500.00	503.65/(Nil)
13	Short Term Loan	Hypothecation of receivables of Sobha Ivory-I, Sobha Aquamarine and Sobha Quartz Project and Equitable mortgage of Land & Building at Sobha Tower project	Corporation Bank (IFB)	150.00	151.08/(Nil)
14	Term Loan	Equitable mortgage of Land and Building at Sobha Primrose Project	Corporation Bank (IFB)	300.00	302.17/(Nil)

Rs. in Milli

Sl. No.	Nature of Loan	Description of Property offered as Security	Bank	Loan Facility Granted	Balance as on 31.03.2006 / (31.3.2005)
15	Term Loan	Equitable mortgage of Land and Building at Sobha Ivory-II Project	Corporation Bank (IFB)	50.00	50.36/(Nil)
16	Term Loan & Corporate Loan	Hypothecation of receivables of Sobha Dahlia Project	UTI Bank Ltd.	600.00	554.13/(Nil)
17	Equip- ment Finance	Hypothecation of Scaffolding items and Tower Crane	ICICI Bank Ltd.	51.90	44.78/(Nil)
18	Cash Credit Facility	Equitable mortgage of Land and Building at Sobha Tulip Project	State Bank of India	250.00	245.77/(Nil)
19	Term Loan	Hypothecation of receivables of Sobha Jade, Sobha Windfall, Sobha Sapphire and Sobha Diamond Projects	Corporation Bank (IFB)	200.00	Nil/(20.10)
20	Short Term Loan	Equitable mortgage of Land and Building at Sobha Tulip Project	ICICI Bank Ltd.	110.00	Nil/(77.00)
21	Term Loan	Equitable mortgage of Land and Building at Sobha HSR Layout Project and receivables of Sobha Tulip Project	ICICI Bank Ltd.	110.00	Nil/(77.00)
22	Term Loan	Equitable mortgage of Land and Building at Sobha Ivory I Project	Corporation Bank (IFB)	120.00	Nil/(120.70)
23	Term Loan	Hypothecation of receivables of Sobha Aquamarine and Sobha Daffodil Project	ICICI Bank Ltd.	120.00	Nil/(90.00)
24	Term Loan	Hypothecation of receivables of Sobha Amber Project	UTI Bank Ltd.	100.00	Nil/(100.60)
25	Term Loan	Hypothecation of Sobha Aquamarine and Sobha Daffodil receivables	ICICI Bank Ltd.	120.00	Nil/(90.00)
26	Term Loan	Hypothecation of Fixed Assets other than Masa Plant	The Dhanalakshmi Bank Ltd.	30.00	Nil/(30.00)

All the above loans except item no 7 & 17 have been personally guaranteed by two directors

2.6 The following vehicle loans from banks / Financial institutions are secured by hypothecation of vehicles purchased therefrom

- ICICI Bank Rs 5.54 million (Previous Year Nil)
- Kotak Mahindra Primus Limited Rs. 3.94 million (Rs.4.76 million)
- SREI Infrastructure Finance Limited - Rs. 1.81 Million (Rs.Nil)

2.7 Segment Reporting:

The company is mainly engaged in the business of Development and Construction of Properties and Projects and therefore segment reporting as defined in Accounting Standard 17 does not apply.

2.8 In the opinion of Board of Directors, Current Assets, Loans and Advances, are realizable in the ordinary course of business.

2.9 Auditor's remuneration:

	Rs. in Mil.	
	Current Year	Previous Year
Audit Fee	0.30	0.19
Tax Audit Fee	0.10	0.01
Taxation Matters	0.20	0.03
Total	0.60	0.23

2.10 Loans and advances include, the following group company balances, wherein a few directors are interested:

Rs. in Mill.				
Sl No.	Name of the Company	Amount due as on 31st March 2006	Maximum amount due at any time during the year	Previous Year amount
1	M/s Sobha Interiors Private Limited	252.89	1126.04	46.40
2	M/s Sobha Glazing Metal Works Pvt Limited	220.69	285.82	124.30
3	M/s Sobha Renaissance Infotech Private Ltd	20.87	76.65	16.60
4	M/s Sobha Space Private Limited	48.59	282.99	127.10
5	M/s Royal Interiors Private Limited	6.35	6.42	
6	M/s Sobha Electro Mechanical Pvt. Ltd	0.01	0.01	
7	M/s Technobuild Developers Pvt. Limited	997.16	997.16	
8	M/s SBG Housing Pvt. Limited	120.93	125.43	
9	M/s Sri Kurumba Trust	0.62	0.62	
10	M/s Menon Hill Financial Pvt. Limited	0.01	0.01	
11	M/s Hill & Menon Securities Private Limited	0.09	0.09	

2.11 Remuneration to Directors

Managerial remuneration to Directors is summarized below -

Rs. in Millic					
	Current Year				Previous Year
	Chairman	Vice Chairman	Managing Director	Total	Total
Salary	16.80	12.60	3.17	32.57	2.20
Perquisites	0.46	-	-	0.46	0.02
Contribution to Fund	1.26	0.98	0.22	2.46	0.14
Other Allowances	-	-	0.05	0.05	-
Commission	-	-	19.80	19.80	8.10
Total	18.52	13.58	23.24	55.34	10.46

Computation of Net profit in accordance with Section 309 (5) read with Section 349 of the Companies Act, 1956 is summarized below :

Profit for the year before taxation as per Profit & Loss Account	1067.24
Add: Managerial Remuneration	55.34
	<u>1122.58</u>
Less:	
Profit on sale of Investments, net	0.08
Profit on sales of fixed assets, net (as per Profit & Loss Account)	0.34
Net profit as per section 309(5)	<u>1122.17</u>
Commission to Managing Director	<u>19.80</u>

2.12 Earnings per Share:

- (a) Basic and Diluted Earnings per Share is calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.
- (b) The following reflects the income and share data used in the computation of Basic/Diluted Earnings per Share

	Rs. in Million	
	31.03.2006	31.03.2005
Amount used as the numerator		
Net profit attributable to the ordinary Shareholders for Basic Earnings per share	877.87	346.82
No. of Ordinary Shares used as denominator		
Weighted average number of ordinary shares in issue applicable to Basic/Diluted Earnings per Share	21.14	21.14

2.13 The disclosure in respect of contract revenue recognised, cost incurred and other details as required under AS 7 on Construction Contracts are given under -

Contract Revenue recognised as revenue in the period	5966.15
Contract Cost incurred and recognised Profits (less recognised losses) upto the reporting date	4814.21
Advances Received	3374.49
Gross amount due from customers for contract work	802.97

2.14 Balances of Debtors, Creditors and Loans and advances are subject to confirmation.

2.15 During the year, the Company has given a donation of Rs. 1.41 million (Previous year Rs. 1.00 million) to political parties.

Name of Party	Rs. in Million	
	Current Year	Previous Year
Bhartiya Janata Party	0.40	1.00
Kerala Congress Committee	1.00	0.00
Kannada Paksha	0.01	0.00
Total	1.41	1.00

2.16 The details as required under para 4-C in respect of Block Manufacturing Division are as under

- a) Licensed and Installed Capacities and Production
Class of Goods : Concrete Blocks

Particulars	Qty in Nos
i Licensed Capacity	Not applicable
ii Installed Capacity	8 million concrete blocks p.a
iii Actual Production	1048016 concrete blocks

Being technical information, the Auditors have relied on the certificate from the management

- b) Turnover, Closing and Opening Stocks :

Particulars	Turnover		Closing Stock	
	Qty in Nos.	Rupees Million	Qty in Nos.	Rupees Million
Concrete Blocks	15905	0.31	230440	5.07

Turnover excludes 805901 nos of concrete blocks captively consumed

- c) Consumption of Raw Material & Stores

Particulars	Qty	Rupees Million
Cement (Qty in tonnes)	1472.15	2.16
Aggregates	-	6.75
Total	1472.15	8.91

The Concrete Products Manufacturing Division has started operation during the current year and hence previous year figures are not applicable.

2.17 The value of consumption of imported and indigenous raw materials, stores and spare parts and the percentage of each to the total consumption in respect of Concrete Block Making Unit

Particulars	Raw Materials		Components, Stores and Spare Parts	
	Rs. Million	%	Rs. Million	%
a) Imported	-	-	1.89	61.76
b) Indigenous	8.91	100	1.17	38.24
Total	8.91	100	3.06	100.00

Rs. in Million

2.18 Description		
	Current Year	Previous Year
CIF value of imports :		
Raw Materials -Building Materials, Stores , Components & Spare Parts	9.17	2.82
Capital Items	0.50	62.90
Foreign Exchange Outgo on account of:		
Travel	4.52	2.73
Services	9.08	Nil
Dividend	144.80	95.13

2.19 Earnings in Foreign Exchange : The company has not earned any foreign exchange except for reliasation of book debts

2.20 Related Party Disclosures (As identified by the Management)

Rs. in Million

Nature of Transaction	Subsidiary Company	Key Management Personnel	Relatives of Key Management Personnel	Other Related Parties	Total
Purchase of Goods and Contractual Services			104.66	476.29	580.95
Sale of Goods/Services		3.87		185.76	189.63
Directors Remuneration		55.35			55.35
Salary Paid Including Perquisites			1.22		1.22
Purchase of Fixed Assets			0.11		0.11
Interest Paid		2.96			2.96
Rent Paid		0.37			0.37
Donation Paid				55.10	55.10
Interest Received				2.40	2.40
Loans Given				30.00	30.00
Guarantees and Collaterals Given				315.00	315.00
Guarantees and Collaterals Taken				4000.00	4000.00
Balance as on 31.03.06 (Receivables)	120.93			556.94	677.87
Balance as on 31.03.06 (Payables)		45.77		80.01	125.78

2.21 Name of Related Parties and Description of Relationship

Holding Company	Nil
Associate	Nil
Key Management Personnel	Mr. P.N.C. Menon Mrs. Sobha Menon Mr. Ravi Menon Mr. J. C. Sharma Col V. K. Balan
Relatives of Key Management Personnel	Mr. Raghu Balan Mr. Raju Balan Mr. P.N. Haridass
Other Related parties	M/s Oman Builders Private Limited M/s Sobha Inncity Technopolis Private Limited M/s Sobha Interiors Private Limited M/s Sobha Glazing & Metal Works Private Limited M/s Sobha Electro - Mechanical Private Limited M/s Sobha Renaissance & Information Technology Pvt Ltd. M/s Sobha Technocity Private Limited M/s Sobha Projects and Trade Private Limited M/s Indeset Building Materials LLC M/s Indeset Decoratives & Trading services LLC M/s Service & Trade LLC M/s Royal Interiors Private Limited M/s Hill & Menon Securities Private Limited M/s Sri Kurumba Trust M/s Sobha Space Private Limited
Subsidiary Company	M/s SBG Housing Pvt. Ltd.

2.22 The Company is in the process of identifying suppliers constituting Small Scale Undertakings and hence the amount due to such suppliers has not been identified.

For Sobha Developers Private Limited

P.N.C. Menon
Chairman

Ravi Menon
Vice Chairman

J C Sharma
Managing Director

P.Kanodia
VP - Finance

K.Suresh
VP - Corporate &
Company Secretary

Place :Bangalore
Date :May 13, 2006

Place : Bangalore
Date : May 13, 2006

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

B.Anand - Partner
Membership No. 29146

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Rs. in Million	
Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
A Cash Flow from Operating Activities		
Net Profit as per P & L A/c	1,067.24	485.03
Add:		
Depreciation	128.19	62.75
Interest Paid(Net)	208.33	107.08
Dividend from Investment	(0.20)	(2.45)
Profit/Loss on sale of Investments	(0.08)	(3.82)
Profit/Loss on sale of Fixed Assets	(0.34)	-
Preliminary Expenses written off	-	-
Operating Profit before Working Capital Changes	1,403.14	648.59
Inventories	(638.52)	(1,259.82)
Debtors	(439.03)	(83.36)
Loans & Advances(Other than Advance Tax & TDS)	(2,726.70)	(996.75)
Liabilities (Excluding Interest Accrued)	2,007.41	382.47
Net Change in Working Capital	(1,796.83)	(1,957.48)
Cash Generated from Operations	(393.69)	(1,308.89)
Interest Paid	(218.68)	(109.61)
Interest Receipts	9.65	2.38
Direct Taxes Paid	(246.58)	(93.40)
A Net Cash from Operating Activities	(849.30)	(1,509.52)
Cash Flow from Investment Activities		
Purchase of Fixed Assets	(595.22)	(422.76)
Purchase of Investments	(26.90)	(28.00)
Dividend from Investment	0.20	2.45
Sale of Fixed assets	1.28	-
Sale of Investment	0.22	221.82
B Net Cash Used in Investment activities	(620.42)	(226.49)
Cash flow form Financing Activities		
Increase in Share Capital	-	87.28
Net Increase/(Decrease) in Borrowing	1,998.43	1,676.79
Dividend Paid	(144.81)	(71.71)
C Cash Generated from Financing activities	1,853.62	1,692.36
Net Increase in Cash & Cash Equivalents (A+B+C)	383.90	(43.65)
Opening Balance - Cash & Cash equivalents	65.77	109.42
Closing Balance - Cash & Cash Equivalents	449.68	65.77

For Sobha Developers Private Limited

P.N.C. Menon
Chairman

Ravi Menon
Vice Chairman

J C Sharma
Managing Director

P.Kanodia
VP - Finance

K.Suresh
VP - Corporate &
Company Secretary

Place :Bangalore
Date :May 13, 2006

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place : Bangalore
Date : May 13, 2006

B.Anand - Partner
Membership No. 29146

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1 Name of the Subsidiary	SBG Housing Private Limited
2 Financial Year Ended	March 31, 2006
3 Date from which it became a Subsidiary	April 11, 2005
4 Extent of interest of the Holding Company in the capital of the Subsidiary	100%
5 Net aggregate amount of the Subsidiary's Profit less losses not dealt with in the Holding company's Accounts - (i) Current Year (ii) Previous year since it became subsidiary	Nil Nil
6 Net aggregate amount of the Subsidiary's Profit less losses dealt with in the Holding company's Accounts - (i) Current Year (ii) Previous year since it became subsidiary	Nil Nil

For Sobha Developers Private Limited

P.N.C. Menon
Chairman

Ravi Menon
Vice Chairman

J C Sharma
Managing Director

P.Kanodia
VP - Finance

K.Suresh
VP - Corporate &
Company Secretary

Place :Bangalore
Date :May 13, 2006

