



POWERING EXECUTION

Successful enterprises are marked by exemplary resourcefulness in turning great strategies into greater performance. The successful conversion of an idea into action is execution. Powerful ideas do not necessarily get converted into concrete action. It demands a perfect blend of several ingredients - the right technology, superior processes, a committed talent pool and inspiring leadership - to achieve superlative performance. Right from the inception Sobha's approach has been marked by a burning desire to do things differently. Backward integration is one such example.

We have been at the forefront of adopting appropriate technology to suit local conditions. Our processes have evolved from the best proven practices internationally. We pick up the best talent, nurture them, train them, power them and make them feel passionate about their work. Our management pool is the right blend of youth and experience and is highly motivated and empowered to execute our strategies into action. All these culminate into a finished product, which can compete with the best globally. We are at the forefront of delivering excellence through powering execution with limitless passion.

SYSTEMS AND PROCESSES – Clear-Cut and Innovative



Our well established systems and processes ensure optimized performance at every level. Concurrently, our unrelenting effort to be continuously innovative augments operational excellence.



QUALITY AND TECHNOLOGY – Global Know-How

We bring in world class cutting-edge technology and expertise to complement our strict and undiluted adherence to quality standards. The passion with which we operate adds impetus to our pursuit for perfection.





PLANNING – Meticulous and Integrated

Every activity throughout the project lifecycle is carefully scheduled, defining actions and timelines. Micro level integrated planning is adopted at each stage to ensure that we operate with clarity cohesion and coordination.



BACKWARD INTEGRATION – Inimitable Structure

In an industry where outsourcing is the norm, we stand out as the only fully integrated Real Estate and Construction Company in India. Backward Integration gives us complete control over the entire spectrum of our activities.





TRAINING – Empowering Minds

We have internalized the philosophy of continuous training to fine-tune the skills of our manpower resources. Our hands-on training initiatives are designed to create a pool of talent capable of delivering excellence in execution.



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“ POWERING EXECUTION IS ESSENTIAL TO CREATE A TRULY GLOBAL INDIAN COMPANY ”

P.N.C. Menon
Chairman

Letter to the shareholder



Dear Shareholder,

It is my pleasure to present to you the Annual Report of Sobha Developers Limited for the financial year 2007-08. This is the 13th Annual Report of our Company since its incorporation in 1995. I am very pleased to announce that for this fiscal our total revenue amounted to Rs.14.3 Billion and our net profit was Rs.2.3 Billion. We have registered a growth of 21% in revenues and 41% in net profits. This makes us the largest real estate company in South India and one of the leading players in real estate and construction industry nationwide.

India now is on the fast track for economic development maintaining a high growth rate of around 8% for the past few years, notwithstanding the recent slowdown. The Indian real estate industry has witnessed a revolution, driven by a flourishing economy, increased purchasing power, burgeoning middle class, favorable demographics and a liberalized foreign direct investment (FDI) regime. With the tremendous growth in business and trade, the demand for commercial space has also increased many-fold. There is considerable increase in the number of middle class families with increasing buying power. Rise in the number of young nuclear families with disposable income and easy access to finance has increased the demand for residential space. People are aspiring for quality homes.

Sobha has been providing world class homes and office space, with aesthetics and functionality as its hallmark, for the last 13 years. We have achieved unprecedented growth during this period. We have successfully executed residential and contractual projects of about 25 Million SFT in 16 cities across India. We are currently executing a total built up area of more than 18 Million SFT, pan-India. Having established the Sobha Brand in Bangalore as synonymous with quality, we have placed ourselves firmly in cities like Thrissur, Coimbatore and Pune. We are all set to enter Mysore, Chennai and Gurgaon markets shortly. We have also entered the retail sector through the launch of Sobha Restoplus spring mattresses. Also on the anvil are plans to introduce Modular Home and Office Furniture range, a chain of retail stores as well as the launch of Sobha's luxury hotels.

Constant improvement of execution capability is our priority. To execute projects with precision, timeliness and the highest quality standards, we have 38 departments functioning relentlessly upholding the Sobha Mission - No Short Cuts to Quality. Opportunities are massive and we are conscious of the enormity of our task and the challenges that we have to face while aiming to be the provider of the finest executed buildings and infrastructure in India. We are confident about the steps initiated towards achieving this goal. We have put in place a proactive review model ensuring faster growth for the Company and high end quality product for our customers. Sobha stands out by consciously adopting a backward integration model in building construction, bringing all our activities under a single umbrella. We have also set up a construction academy, providing specialized project management programs as well as hands-on training in various trades related to building construction. The academy is based on the principle of continuous education for all our employees. Over the years we have internalized the construction process and are learning from our experience. We are continuously striving to deliver despite critical challenges posed by the market. Rising input costs and interest rates have adversely affected the construction industry in India. Yet for us growth remains unhindered. As our theme suggests impeccable execution is our strength. Powering execution is what we see as our path towards excellence.

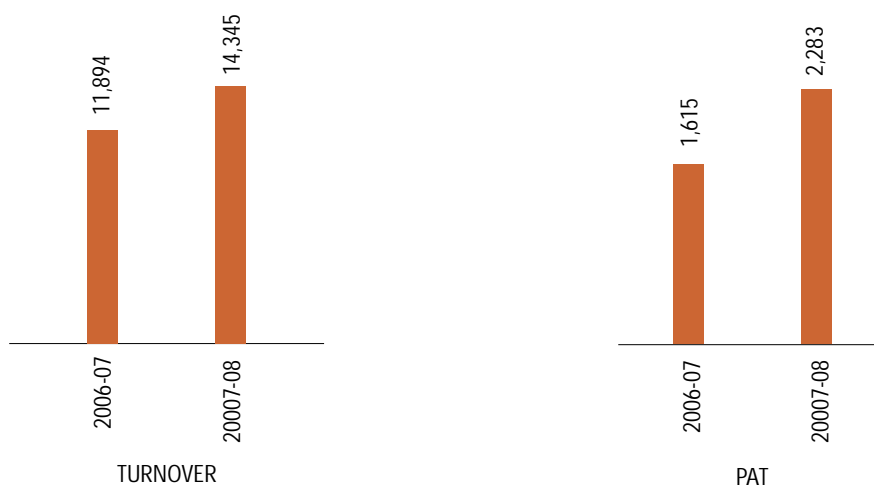
Bangalore
May 30, 2008

P.N.C. Menon
Chairman

The year at a glance

(Rs. in Million except earnings per share)

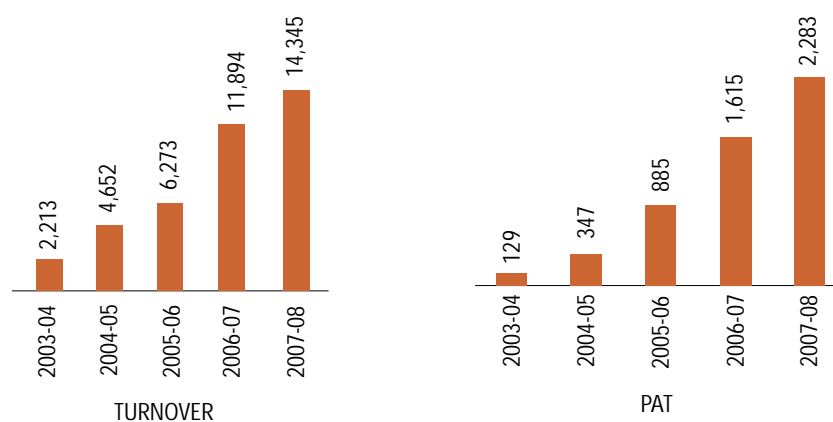
Particulars	2007-08	2006-07	Growth (%)
Financial Performance			
Turnover	14,345	11,894	20.60
Profit Before Depreciation, Interest and Tax (PBDIT)	3,656	2,596	40.83
Depreciation	350	244	
Profit Before Interest and Tax (PBIT)	3,306	2,352	40.52
Interest	597	486	
Profit Before Tax (PBT)	2,709	1,866	45.12
Profit After Tax (PAT)	2,283	1,615	41.36
Earnings per share	31.32	24.26	29.10
Dividend			
Equity Preference	474	401	18.20
	-	5	
Financial Position			
Shareholders' Fund	9,883	8,155	21.19
Borrowed Funds	17,631	5,837	
Total	27,514	13,992	
Net Fixed Assets	2,142	1,948	9.96
Investments	294	527	
Net Current Assets	25,078	11,517	117.75
Total	27,514	13,992	



Financials at a Glance

(Rs. in Million except earnings per share)

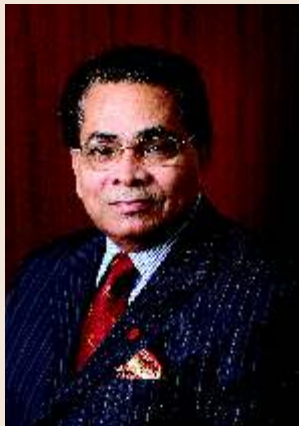
Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
Financial Performance					
Turnover	14,345	11,894	6,273	4,652	2,213
Profit Before Depreciation, Interest and Tax (PBDIT)	3,656	2,596	1,404	657	281
Depreciation	350	244	128	63	24
Profit Before Interest and Tax (PBIT)	3,306	2,352	1,276	594	257
Interest	597	486	208	109	48
Profit Before Tax (PBT)	2,709	1,866	1,068	485	209
Profit After Tax (PAT)	2,283	1,615	885	347	129
Earnings per share	31.32	24.26	13.84	5.48	2.04
Dividend					
Equity	474	401	145	63	74
Preference	-	5	6	-	-
Financial Position					
Shareholders' Fund	9,883	8,155	1,368	655	294
Borrowed Funds	17,631	5,837	4,231	2,233	558
Total	27,514	13,992	5,599	2,888	852
Net Fixed Assets	2,142	1,948	1,020	554	194
Investments	294	527	27	-	190
Net Current Assets	25,078	11,517	4,552	2,334	468
Total	27,514	13,992	5,599	2,888	852



MANAGEMENT COUNCIL



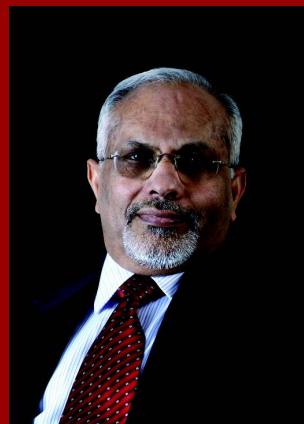
Mr. J.C. Sharma
Managing Director



Lt. Gen. (Retd.) Mathew Mammen
Executive Director



Mr. P.N.C. Menon
Chairman



Mr. P. Gopalkrishnan
Executive Director



Mr. N. Venkatramani
Executive Director



Mr. Ravi Menon
Vice Chairman



Mr. Dhananjay Mangesh Gulwadi
Executive Director

BOARD OF DIRECTORS



Mr. P.N.C. Menon
Chairman



Mrs. Sobha Menon
Non Executive Director



Mr. J.C. Sharma
Managing Director



Mr. N.S. Raghavan
Independent Director



Mr. R.V.S. Rao
Independent Director



Mr. Ravi Menon
Vice Chairman

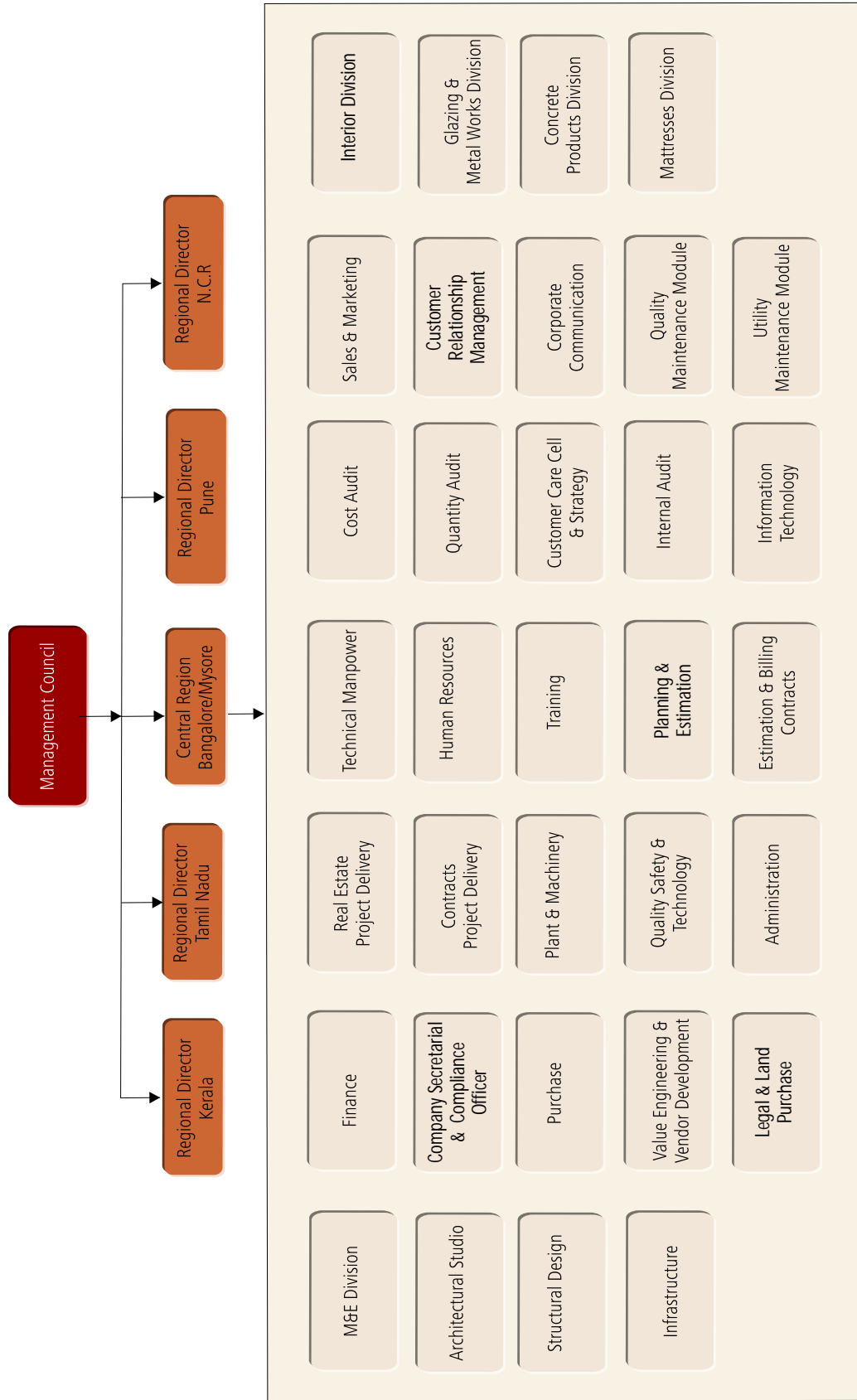


Dr. S.K. Gupta
Independent Director



Mr. Anup Shah
Independent Director

Organisation Chart as on 30 May, 2008



Awards 2007-08

Awards for Employees

LOYALTY AWARDS

Ashok Kumar N.B.
Balasubramanian A.G.
Devaraj T.H.
Kandhasamy V.
Prasanna Venkatesh G.
Radhakrishnan M.
Raghu Balan
Rajasekhara Aradhya
Ravi K.R.
Srinivasa Murthy A.
Venkatesh
Vinita Agast

ASSOCIATION AWARDEES/JAMES

Arun G. Rao
Ayyappan A.G.
Balakrishnan G.
Balasubramanya A.G.
Chandramouli
Dayanandan
Deepa Bhavasar
Devraj T. H.
Gopalkrishnan P.
Haridas Menon
Inderchand
Jagga
James P.V.
Jyothi Dayanandan
Kochunni T.M.
Meenakshi S.
Moolchand
Muralidharan B.
Nisanth M.N.
Patil D.S.
Pradheep V.
Pranav D. Shah
Raghu K.
Raghunath Reddy
Raghunathan K.
Rakhee V.R.
Ramesha K.H.
Ravikumar K.S.
Ravisankar J.
Sandhya Kamath
Satish J. Kamath
Satish Nadiger
Senthil Kumar N.
Sevel Poomozhi
Shabu P. Jacob
Shanthy V.
Sharvari Tijare
Srikanth Srinivasan
Suresh K.
Theresa Stanley
Vasudevan K.
Vishwanath R.

SAFETY DAY AWARDS

Anil Kumar Das
Anoop V.J.
Balakrishnan G.
Chamundeswari S.
Deepak M.B.
Devi Sunny
Dhiraj S. Sthul
Disco S.
Francis V.J.
Gajendra N.M.
Jagan Mohan P.V.
Jyothi R.N.
Kamal L. Shrihari
Lakshmi Anand
Lakshmi Menon
Manisha V.P.
Manuraj R.
Meera P.
Nischitha
Nivethitha K.
Ramesh Yajjala
Ramya S.
Rashmi B.R.
Saini Satwinder S.
Samitha Mohan
Santosh V Gadhve
Sapan Bachhuka
Sapan R. Bachhuka
Shibin Chacko
Shishira Kumar A.S.
Shivaji Patil
Shridhar B. Dixit
Shyni K.
Sonia Newton
Srinivas Shetty T.
Srinivasan S.
Sunitha Vadassery
Suresh A.R.
Suresh Kumar G.
Sushil S. Zanwar
Suvidha A. Patil
Thresa Stanley
Umesh A.
Velumani P.
Vivek V.

INNOVATION AWARD

Aaron Watson
Adarsh Kumar P.
Davy Mohan
Kirti Sagar
Kumar P.
Madhan J.
Madhusudan Kapoor
Meenakshi S.
Murali M.
Nisanth M.N.
Ravi K.R.
Remya V.K.
Senthil Kumar N.
Shivarudrapa
Srivatsa B.K.

Awards for the Company

CNBC Real Estate "Best Executed Project in India" Award for Sobha Malachite, Bangalore.

Construction World Top Architects and Builders "India's Top 10 Builders" Award.

Construction World – NICMAR "India's Most Admired Company" Award.

The Best IPO of the Year - Awarded by Real Estate Excellence 2007

"Dalal Street" Journal ranked Sobha in 4th position amongst the top 25 Fastest Growing Medium Companies in India.

Real Estate Observer recognized Sobha as the Best Developer from South India.



Corporate Information

KEY PERSONNEL

Mr. P.N.C. Menon	Chairman
Mr. Ravi Menon	Vice Chairman
Mr. J.C. Sharma	Managing Director
Mrs. Sobha Menon	Non Executive Director
Mr. N.S. Raghavan	Independent Director
Dr. S.K. Gupta	Independent Director
Mr. R.V.S. Rao	Independent Director
Mr. Anup Shah	Independent Director

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. K. Suresh

STATUTORY AUDITORS

S. R. Batliboi & Associates
UB City, 'Canberra Block'
12th & 13th Floor
No. 24, Vittal Mallya Road
Bangalore – 560001, India

BANKERS

Axis Bank
Andhra Bank
ABN Amro Bank NV
Corporation Bank
Dhanalakshmi Bank
HSBC Bank
Indian Overseas Bank
IDBI Bank
State Bank of Hyderabad
State Bank of India
Standard Chartered Bank
Yes Bank

LEGAL ADVISORS

M/s Anup S. Shah, Law Firm

CORPORATE OFFICE

#4, Neeladri Plaza, Raja Ram Mohan Roy Road,
Richmond Road Circle, Bangalore-560025 India.
Tel: +91 80 22104561/2/3/4/5/6
E-mail: sdsrc@sobha.co.in
URL: www.sobhadevelopers.com


REGISTERED OFFICE

E-106, Sunrise Chambers, 22, Ulsoor Road,
Bangalore-560042, India.
Tel: +91 80 25597260, 25594139
Fax: +91 80 25594138
E-mail: sdsrc@sobha.co.in
URL: www.sobhadevelopers.com

CEO and CFO Certification

We, J.C. Sharma, Managing Director and P. Kanodia, Chief Financial Officer of Sobha Developers Limited, to the best of our knowledge and belief hereby certify that

- i. We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2008 and that to the best of our knowledge and belief;
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading.
 - b) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- ii. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct.
- iii. We accept responsibility establishing and maintaining the internal controls for the financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
- iv. We have disclosed based on our most recent evaluation, wherever applicable, to the companies auditors and the audit committee of the Company's Board of Directors :
 - a) All deficiencies in the design or operation of internal controls which could adversely effect the Company's ability to record, process, summarize and report financial data and have identified for the Company's Auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regards to deficiencies.
 - b) Significant change in internal controls during the year covered by the report.
 - c) All significant changes in Accounting Policies during the year, if any, that the same have been disclosed in the notes to the financial statements.
 - d) Instances of significant fraud of which we are aware, that involves management or other employees who have significant role in the Company's internal control system.



J.C. Sharma
Managing Director



P. Kanodia
Chief Financial Officer

Bangalore
May 30, 2008

Directors' Report

To
The Members,

The Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of the Company together with the Audited Accounts for the financial year ended March 31, 2008.

Financial Highlights (Rs. in Million)

Particulars	2007-08	2006-07
Net Sales and other Income	14,345	11,894
Profit before Interest, Depreciation and Tax	3,656	2,596
Finance Charges	597	486
Depreciation	350	244
Profit before Tax	2,709	1,866
Provision for Tax – Current	453	240
– Fringe benefit	6	5
– Deferred	(33)	6
Net Profit after Tax	2,283	1,615
Add: Balance of profit brought forward	1,250	819
Profit available for appropriation	3,533	2,434
Appropriations -		
Proposed Dividend (includes tax on dividend)	555	469
Preference Dividend (includes tax on dividend)	-	5
Transfer to General Reserve	250	200
Transfer to Debenture Redemption Reserve	309	-
Transfer to Capital Redemption Reserve	-	87
Transfer to Capitalisation towards Bonus Shares	-	423
Balance carried to Balance Sheet	2,419	1,250

1. RESULT OF OPERATION

Highlights of operations for the year ended March 31, 2008 are given below

The performance of your Company for the year ended March 31, 2008 was very encouraging. Your Company reached a new milestone surpassing all previous records. It has registered an all round growth in sales of residential projects and contractual projects.

The total income increased to Rs.14,345 Million from Rs.11,894 Million in the previous year, registering a growth rate of 21%. Real Estate revenue has grown from Rs.7,532 Million to Rs.8,533 Million, registering a growth of 13%. Contractual revenue (including revenues from manufacturing) has grown from Rs.4,333 Million to Rs.5,692 Million, representing a growth of 31%. Your Company launched seven residential projects during the year under review.

The profit before depreciation, interest and tax amounts to Rs.3,656 Million as against Rs.2,596 Million in the previous year. The net

profit after tax rose to Rs. 2,283 Million as against Rs.1,615 Million in the previous year. The total funds available for appropriation is Rs.3,533 Million, inclusive of the credit balance of profit carried to the Balance Sheet last year.

2. APPROPRIATIONS

2.1 Dividends for the year 2007-2008

The Directors have pleasure in announcing that the Board of Directors has recommended a dividend of Rs.6.50 per equity share for the financial year 2007-08, subject to the approval of members at the ensuing Annual General Meeting. Subsequent to the approval of the members at the Annual General Meeting, the dividend will be paid in compliance with the applicable rules and regulations. The proposed dividend (including dividend tax) as a percentage of profit after tax is 24%.

The Register of Members and Share Transfer books will remain closed from July 18, 2008 to July 24, 2008 (both days inclusive) in connection with payment of dividends and the Annual General Meeting.

The Board of Directors with the approval of the members of the Company at its 12th Annual General Meeting had distributed a final dividend of Rs.5.50 per equity shares for the financial year 2006-07. As on March 31, 2008 an amount of Rs. 2,14,803 remains unclaimed.

2.2 Transfer to reserves

Your Directors propose to transfer an amount of Rs.250 Million (Rupees Two Hundred Fifty Million) to the General Reserve and an amount of Rs.309 Million (Rupees Three Hundred and Nine Million) to the Debenture Redemption Reserve out of the profits of the Company for the year 2007-08. An amount of Rs.1,169 Million (Rupees One Thousand One Hundred and Sixty Nine Million) has been retained in the profit and loss account.

3. BUSINESS

Your Company is an industry leader in Bangalore and has completed eight residential complexes during the period under review. In addition, seven new residential complexes have also been launched in Bangalore, Thrissur, Pune and Coimbatore. During the year, your Company completed eighteen contractual projects in Bangalore, Mysore, Chennai, Hyderabad, Chandigarh, Mangalore, Trivandrum, Pune, and Mumbai. During the year 2007-08, your Company started executing fifteen contractual projects in different cities like Bangalore, Chennai, Thrissur, Chandigarh, Pune, Gurgaon and Bhubaneswar.

4. INCREASE IN SHARE CAPITAL

The authorized share capital of the Company was increased to Rs. 2,000,000,000 (Rupees Two Thousand Million only) consisting of 80,000,000 (Eighty Million only) equity shares of Rs.10 (Rupees Ten each) and 12,000,000 (Twelve Million Only) preference shares of Rs. 100 (Rupees One Hundred each). Necessary approvals from the shareholders were obtained in the Annual General Meeting of the Company held last year.

5. LIQUIDITY

Your Company maintains sufficient cash to meet its strategic objectives and growth is financed through internal accruals, project related specific borrowings and the advances received from customers.

6. CRISIL / ICRA / FITCH RATING

Your Company has obtained the following ratings from the various credit rating agencies:

Sl. No.	Name of the Credit Rating Agency	Rating Obtained	Details of Rating
1	CRISIL	DA1	In recognition of the excellent track record of quality, timeliness and transfer of clear title
2	ICRA	A1	Highest credit quality to short – term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term.
3	ICRA	LA	Long term debts indicating adequate credit quality rating.
4	CARE	PR1	Strong capacity for timely payment of short term debt obligations
5	FITCH	F1	Strong capacity for timely payment of short term debt obligations.

7. NEW BUSINESS INITIATIVES

The Company is launching its residential projects in different locations, a major initiative being the launch of Sobha Hi-Tech City at Kochi, a massive township project in 400 acres of land with active support from the Government of Kerala. The Company is also planning to launch shopping malls, hotels, commercial development, retail home stores, plotted development as a strategy in expanding its portfolio of products.

8. SUBSIDIARIES

SBG Housing Private Limited, which was a subsidiary company in the previous year ceased to be a subsidiary during the period under review, as a result of divestment of your Company's equity holding in it. SBG Housing Private Limited was not a material subsidiary and the Board of Directors has accorded necessary approval for sale of Company's stake in the said subsidiary company. In view of this, Statement under Section 212 and Consolidated Financial Statement of Accounts under Accounting Standard 21 are not required and hence have not been furnished.

9. INVESTMENT IN PARTNERSHIP FIRM

During the year under review, your Company has entered in to a partnership agreement in the name and style 'Sobha City' with Tree Hill Estates Private Limited as the other partner. The objective of this partnership is to leverage upon the combined technical, financial

and management expertise of the partners in developing projects at Thrissur, Kerala. The details of the ratio of capital contribution and profit sharing in the partnership have been provided in the Notes to the Accounts. The consolidation of financial settlements with partnership firm has been carried out under Accounting standard-21, which forms part of this Annual Report.

10. HUMAN RESOURCE (HR) DEVELOPMENT

Your Company aims to align HR practices with business goals, motivate people for higher performance and build a world-class competitive working environment. In pursuance of the Company's commitment to develop and retain the best available talent, a series of Training programmes have been undertaken as under:

Technical Training Programs

- First Aid Training
- Safety Training
- Primavera Project Management Training
- ISO awareness & Certification
- Fire Drill
- Auto Cad
- Purchase & Materials Management
- Cost Control & Cost Reduction Measures
- Power System & Grounding Practices

Behavioral Training Programs conducted based on training needs identified during annual appraisals

- Communication Skills
- Leadership Skills
- Teambuilding
- Personality Development
- Time Management
- Presentation Skills
- Interpersonal Skills
- Stress Management
- Managerial Skills

The objective of developing good HR practices is to make the Company a 'great place to work'.

10.1. Key HR Activities done by HR during the year under review

10.1.1. Implemented paperless working system (online electronic form) for: application of leave, manpower budget, registration for training, help desk function, dissemination of monthly pay-slip, performance appraisal system, intimation of yearly increments and promotion.

10.1.2. Mandated M/s Ernst & Young, to do a Compensation Survey to understand the Company's position vis-à-vis the Real Estate Industry. The basis for fixing the compensation for the year 2008-09 was this report.

10.1.3. Initiated internally, an Employee Satisfaction Survey.

10.1.4. Participated in "The Best Companies to Work for in India: 2007" Survey conducted by Business Today- Mercer-TNS. The study was conducted based on Mercer Human Capital Model.

Employee relations continue to be cordial and harmonious at all levels and in all divisions of the company.

11. QUALITY AND SAFETY

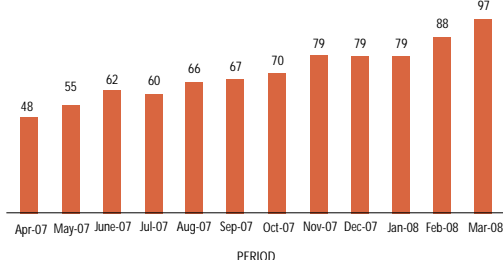
The Department of Quality, Safety and Technology (QST) holds the responsibility to monitor all quality and safety works in various projects of the Company and to introduce the latest construction technology so as to deliver projects at par with the relevant specifications, norms and standards.

The department focuses on construction quality and safety aspects, infrastructure execution, civil maintenance works, geotechnical aspects, and importing/implementing new tools and materials for process upgradation.

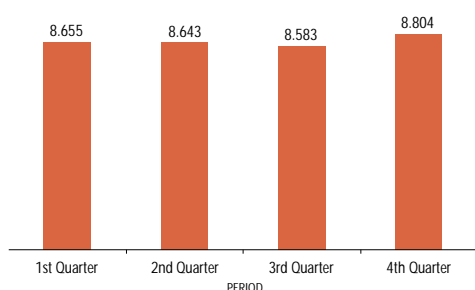
During the year under review the departmental manpower grew by 102%. The Company's projects were audited through its in-house developed and web-based Quality Evaluation System and the average quality rating achieved from all the sites has been 8.804 in the last quarter of financial year 2007-08 crossing the Company set limit of 8.7 out of a maximum of 10.

This underlines the continuous high level of quality and safety achieved by the Company's projects.

QST MANPOWER STATISTICS FOR 2007 - 08



QUALITY & SAFETY RATING IN 2007 - 08



12. CORPORATE GOVERNANCE

Your Company believes in adhering to the highest standards of corporate governance and has been benchmarking its policies with the best corporate practices. A detailed report on the corporate governance and a certificate from the practicing company secretary regarding compliance with conditions of corporate governance has been furnished in this Annual Report.

13. DIRECTORS

There were no changes amongst the Directors during the year under review.

In terms of Article 107, 108 and 109 of Articles of Association, Dr. S.K. Gupta and Mr. R.V.S. Rao, Independent Directors, are liable to retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for re appointment.

Brief resumes of the Directors proposed to be re-appointed, nature of their expertise in specific functional areas and names of the companies in which they hold directorship / membership / chairmanship of the board committees, as stipulated under clause 49 of the listing agreement with the Stock Exchanges have been provided as an annexure to the Notice convening the Annual General Meeting.

14. RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

The Directors' Responsibility Statement, setting out compliance with the accounting and financial reporting requirements specified under Section 217(2AA) of the Companies Act, 1956, in respect of the financial statements, is furnished below and on behalf of the Board of Directors, it is hereby confirmed that

i. in the preparation of the annual accounts, the applicable accounting standards had been followed along with the proper explanation relating to material departures, if any;

ii. the Directors had selected the accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. the Directors had prepared the annual accounts on a "going concern" basis.

15. AUDITORS

The Auditors, M/s S.R. Batliboi & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

16. ADDITIONAL INFORMATION TO SHAREHOLDERS

Your Company provides the latest information on its projects, matters of interest to the investors, financials on its website www.sobhadevelopers.com.

17. FIXED DEPOSITS

During the year under review, your Company has not accepted or renewed any fixed deposit from the public. There is no amount outstanding as on the balance sheet date.

18. CORPORATE SOCIAL RESPONSIBILITY

Your Company is a responsible corporate citizen and is committed to Corporate Social Responsibility. A separate section titled 'Corporate Social Responsibility' is attached, which forms part of this Annual Report.

19. AWARDS

Your Directors are glad to report the awards received during the financial year 2007-08 by the Company:

- Construction World Top Architects & Builders Awards 2007, under the category "India's Top 10 Builders".
- Construction World-NICMAR Awards 2007 - "India's Most Admired Company" Award.
- "Dalal Street" journal ranked Sobha in 4th position the top 25 Fastest Growing Medium Companies of India.
- Real Estate Observer recognized Sobha as the Best Developer from South India.
- The Best IPO of the Year 2007 awarded by REE (Real Estate Excellence) Award

20. REDEMPTION OF DEBENTURES

During the year under review, your Company has redeemed and repaid some of its matured secured redeemable non convertible debentures issued earlier and has also issued new secured redeemable non convertible debentures to augment long term resources.

20.1. Secured Redeemable Non Convertible Debentures redeemed and repaid during the year under review:

(Rs. in Million)

No. of Debentures Redeemed	Face Value of Debentures	In favour of	Total Amount
100	10	LIC Mutual Fund Asset Management Company Limited	1,000
100	10	LIC Mutual Fund Asset Management Company Limited	1,000
250	1	LIC Mutual Fund Asset Management Company Limited	250
500	1	Deutsche Asset Management India Pvt. Limited	500
500	1	Deutsche Asset Management India Pvt. Limited	500
50	10	Birla Sunlife Asset Management Co. Limited	500
25	10	ING Investment Management (I) Pvt. Limited	250
1,525		Total	4,000

Your Company has redeemed in aggregate, 1,525 redeemable non convertible debentures amounting to Rs.4,000 Million.

20.2. Secured Redeemable Non Convertible Debentures issued during the year under review :

(Rs. in Million)

No. of Debentures Issued	Face Value of Debentures	In favour of	Total Amount
50	10	Birla Sunlife Asset Management Co. Limited	500
100	10	Deutsche Asset Management India Pvt Limited	1,000
25	10	DSP Merrill Lynch Fund Managers Limited	250
25	10	ING Investment Management (I) Pvt Limited	250
50	10	LIC Mutual Fund Asset Management Co. Limited	500
75	10	DSP Merrill Lynch Fund Managers Limited	750
100	10	LIC Mutual Fund Asset Management Co. Limited	1,000
500	1	Deutsche Asset Management India Pvt. Limited	500
500	1	Deutsche Asset Management India Pvt. Limited	500
1,425		Total	5,250

Your Company has issued in aggregate, 1,425 redeemable non convertible debentures amounting to Rs.5,250 Million.

21. ISSUE OF COMMERCIAL PAPER

In order to augment short term working capital fund requirements for operations, your Company issued 4,000 Commercial Paper to the extent of Rs.2,000 Million during the period under review which have been placed with different institutions as under :

(Rs. in Million)

No. of Commercial Paper Issued	Face Value of Commercial Paper	In favour of	Total Amount
1,500	0.50	Kotak Mahindra Flexi Debt Scheme	750
500	0.50	Karnataka Bank Limited.	250
500	0.50	ICICI Bank Limited	250
500	0.50	J M Money Manager Super Plus	250
1,000	0.50	JP Morgan Securities India Pvt. Limited.	500
4,000		Total	2,000

22. UTILISATION OF IPO PROCEEDS

Your Company completed its highly successful Initial Public Offer during the year 2006-07. It had collected net IPO proceeds of Rs.5,374 Million (Rupees Five Thousand Three Hundred and Seventy Four Million only). The proceeds of the IPO were used for procurement of land at various strategic places, repayment of loans, construction expenses of projects and for general corporate purposes. The summary of utilisation of net IPO proceeds is as follows:

(Rs. in Million)

Particulars	Utilisation as given in Prospectus	Utilisation as on March 31,2008
Towards Land Acquisition	2,343	2,569
Development and Construction of Projects	1,425	1,218
Repayments of Loans of the Company	1,322	1,587
General Corporate Purposes	254	-
Total	5,344	5,374

23. RELEASE OF LOCK-IN SHARES HELD BY THE PROMOTERS

Pursuant to Clause 4.12 of SEBI (Disclosure of Investors Protection) Guidelines 2000, the following shares held by the Promoters and the pre-IPO shareholdings of the Company were under lock-in for 1 year commencing from December 12, 2006.

Sl. No	Name of the Shareholder	No. of Shares	%
1	Mr. P.N.C. Menon	41,348,421	64.60
2	Mrs. Sobha Menon	16,488,522	25.76
3	Mr. P.N.C. Menon and Mrs. Sobha Menon	5,494,407	8.59
4	Kotak Mahindra Pvt. – Equity Trustee Limited	486,223	0.76
5	Bennet, Coleman & Co. Limited	97,245	0.15
6	Mr. P.N. Haridas	45,000	0.07
7	Mr. P.N.K. Mani	45,000	0.07
8	Mr. Ravi Menon	30	0.00
9	Mr. K. Suresh	15	0.00
10	Mr. M. Radhakrishnan	15	0.00
11	Mr. J.C. Sharma	15	0.00
12	Mr. P. Gopalkrishnan	15	0.00
	Total	64,004,908	100.00

Consequent to the completion of the said lock-in period from the date of allotment of equity shares to the public, the above mentioned shares are free of lock-in.

However, pursuant to Clause 4.11 of SEBI (Disclosure of Investors Protection) Guidelines 2000, the following promoters' shares to the extent of 20% of post issue capital, continue to be under lock-in for a period of 3 years from the date of allotment of equity shares to the public.

	Name of the Shareholder	No. of Shares	%
1	Mr. P.N.C. Menon	4,228,298	5.80
2	Mrs. Sobha Menon	10,352,050	14.20
	Total	14,580,348	20.00

24. CODE OF CONDUCT COMPLIANCE

Pursuant to Clause 49 of the Listing Agreement entered with Bombay Stock Exchange Limited and National Stock Exchange of India Limited, the declaration signed by the Managing Director affirming compliance with the Code of Conduct by Directors and senior management personnel, for the financial year 2007-08 is annexed and forms part of the Directors' and Corporate Governance Report.

25. PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other details have been furnished as an Annexure to this Report.

26. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

In terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, the particulars of conservation of energy, technology absorption, foreign exchange earnings and outgo are set out as an annexure to this report.

27. CAUTIONARY STATEMENT

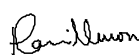
Statements made in the report, including those stated under the caption "Management Discussion and Analysis" describing the Company's plan, projections and expectations may constitute "forward looking statement" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

28. ACKNOWLEDGEMENTS

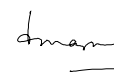
Your Directors would like to place on record their sincere thanks to the Company's clients, vendors, investors and bankers for their continued support to the Company during the year. The Directors wish to place on record their appreciation of the contributions made by employees at all levels.

We thank the Government of India, State Governments and other government agencies for their support and look forward to their continued support in future.

For and on behalf of the Board of Directors of Sobha Developers Limited



Ravi Menon
Vice Chairman



J.C. Sharma
Managing Director

Place: Bangalore
Date: May 30, 2008

Annexure to Directors' Report

A) Particulars pursuant to Companies (Disclosure of particulars in the report to the Board of Directors) Rules, 1988.

Conservation of Energy

Energy is the most valuable resource in the modern era. We, at Sobha also show our commitment to conserve it by utilizing it in a most realistic manner. Special focus on energy conservation, whether it be in the form of electrical or fuel energy is effected mainly during project execution, back office operations and post handover scenarios.

Sobha Developers constantly endeavours to achieve energy conservation by optimum utilization of energy. The following best practices are in place to achieve this objective across Sobha Developers Ltd.

Energy Conservation Measures

1. Energy efficient lighting system e.g. CFL / FTL fittings are being used in all offices / sites.
2. Continuous focus on high Energy efficient lighting system design for all projects.
3. VFDs/ VAV and variable load chillers for the new Sobha office building.
4. VFDs for transfer pumps are installed, which will help in reducing energy consumption significantly.
5. Green energy (solar energy) utilization for lighting common areas in the residential projects.
6. Effective preventive and predictive maintenance system for maintaining all energy intensive equipment i.e., DG sets for energy generation, cranes, hoists, loaders, excavators, trucks and other transport vehicles.
7. Automatic power factor control panels are installed at supply level of individual projects for achieving energy efficiency.
8. Installation of energy efficient chillers with partial loading facility for Corporate Office.
9. Fuel metering system to track the consumption of fuel.

The consumption details of power & fuel are as follows:

	2007-08	2006-07
1. Electricity Purchased		
Units (in Million)	11.68	3.13
Total Amount (Rs.in Million)	61.82	17.56
Rate/Unit (Rs.)	5.29	5.61
2. Own Generation through Diesel Genset		
Units (in Million)	0.56	0.39
Total Amount (Rs.in Million)	7.83	2.80
Rate/Unit (Rs.)	13.88	7.12

The nature of operations of the Company is predominantly in construction and as such, details of consumption of energy per unit of production cannot be quantified.

Research and Development

Since the company is in the real estate and construction industry, R & D in product delivery, work process will enhance the reliability and functionality of the product.

The department of Quality, Safety and Technology has taken the lead in our R&D and technology efforts to develop internationally tailor-made solutions through site and laboratory trials.

a. Research & Development Initiatives

An overview pertaining to technology, process and manpower initiatives in Sobha Developers through continuous R&D activities is given below:

Technical Initiatives

- Deployment of machines to substitute partly or fully manual work
- Continuous improvement of equipment and machinery
- Use of Pre fabrication (factory production) fully or partly at site to increase reliability.
- The improvement of existing or the development/deployment of new construction technologies to speed up the process and make construction more efficient
- Researching the market for new machines, materials and developing methodologies for their effective use in our project sites

Process Initiatives

- The organization of the work with the help of scheduling, structuring of work force in tandem with job descriptions and closing time gaps to ensure efficiency
- The more in depth planning of construction activities/procedures which in turn will result in stable levels of quality, shorter time lines and reduced consumption of man and material at site.
- Standardization of building elements and parts, introducing rules and regulations based on national and international standards and internal classifications.
- The usage of special sub contractors / consultants to realize tasks efficiently.

Manpower Initiatives

- The selection and allocation of manpower in relation to the activity / task to be executed by them
- Use of effective department structure which regulates the cooperation and coordination within departments.
- Training and up-gradation of employees for special tasks and situations.
- The use of a performance based incentive system in addition to the gross salary achievable.

b. Specific R & D Initiatives during 2007-08

Waterproofing technology was one of the key areas where we focused on developing a unique in-house waterproofing standard with standardized drawings for the same

- Concrete Technology has been further reinforced with the in house development and implementation of the Concrete Batch Ticket system, specifying minimum requirements on concrete used at site, based on relevant codes and standards.

- A research on thermal conductivity and insulation for our buildings has been carried out to maintain thermal comfort and customer satisfaction. We have successfully introduced a thermal insulation application for our building terraces resulting in the following benefits:

- reduction of heat radiation for over 20 Kelvin
- saving of cost over Rs 200 per sqm.
- savings of more than one month in construction time
- crack prevention due to the reduced thermal expansion/contraction.

c. Future plan of action

The success of R & D initiatives in the construction industry depends very much on selecting the right method of construction, type of machines and kind of materials. It also depends on integrating the planning and training process within the Company.

The financial year 2008-09 has similar challenges ahead and we look forward to being as successful as we have been in the financial year 2007 -08.

Foreign Exchange

a) Foreign exchange Earnings for 2007 - 08 is 0.15 Million (Previous year : Rs. 0.48 Million)

b) Foreign Exchange Outgo

(Rs. in Million)

Description	2007-08	2006-07
Imports of capital goods, raw materials, stores and spares	158.35	197.17
Travel and Conveyance	1.30	12.40
Legal & Professional Charges	15.24	46.74
Others	1.77	-
Total	176.66	256.31

B) Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2008

Sl. No	Name	Age	Designation	Gross Remuneration (Rs.)	Qualification	Total Experience in years	Date of commencement of Employment	Last Employment Held
(A) Employed throughout the financial year								
1	P.N.C. Menon	60	Chairman	32,592,496	Entrepreneur	32	August 7, 1995	Not Applicable
2	Ravi Menon	27	Vice Chairman	20,871,102	B.Sc.E	3	June 6, 2004	Not Applicable
3	J.C. Sharma	50	Managing Director	58,410,004	B.Com, ACA, ACS	24	June 1, 2001	Grasim Industries Limited
4	K. Suresh	42	Company Secretary & Compliance Officer	3,575,536	M.Com, ACA, ACS, AICWA, DHA, PGDFTM	19	January 1, 2003	Ajuba Solutions India Private Limited
5	Rajan Nambiar	57	CEO, M & E	5,355,419	DME, AMIE	34	January 1, 1997	Drake & Scull Assarain LLC, Muscat
6	P.V. Varghese	45	CEO, Glazing & Metal Works Division	5,039,136	B.Sc, B.Tech	20	April 1, 2006	Sobha Glazing and Metal Works Private Limited
7	Shine V. Nair	31	President, Hotels and Retail Business	10,000,080	B.Tech	10	April 1, 2007	Sobha Contracting LLC, Dubai
8	P. Gopalkrishnan	58	Executive Director	3,491,000	B.Sc, ACA	31	April 1, 2003	Hindustan Lever Limited
9	N. Venkatramani	46	Executive Director	3,673,136	B.Tech, PGDIE, ACA, ACS	19	December 1, 2004	Sasken Communication Technologies Limited
10	Lt. Gen. Mathew Mammen (Retd.)	63	Executive Director	3,055,311	BE, M.Sc (Defence)	48	November 30, 2005	Indian Army
11	Dhananjay Mangesh Gulwadi	49	Executive Director	3,198,924	BE Civil, PGDCM	28	November 18, 2004	Assarian Group of Companies
12	Baaskaran Subramanian	39	Regional Director, Pune	3,590,698	B.Com, FCA, AICWA	16	April 1, 2006	Sobha Space Private Limited
13	Praduma Kanodia	44	Executive Director	3,348,636	ACA, ACS	19	December 1, 2005	Focus Infosys India Limited
14	Sanjaya Sarathy I.P.	49	Regional Director, Chennai	2,603,862	B.Sc, ACA	20	November 10, 2006	Service and Trade Company, Sultanate of Oman
15	Geetha K. Nair	39	Senior Vice President	2,948,136	B. Arch	16	January 1, 1997	Zachariah Consultants
16	Ashok Kumar N.B.	45	Vice President	2,554,796	B. Com	21	February 1, 1999	Interbuild Holdings Private Limited
17	Raghu Balan	41	Executive Vice President	3,097,699	B.Tech, MCM	13	January 1, 1997	Service and Trade Company, Sultanate of Oman
18	Srikamth Srinivasan	35	CEO, Interior Division	2,447,681	BE, PGDE	12	October 23, 2002	Babcock Borsing AG, Oberhausen, Germany
19	Ravi K.R.	37	Vice President	2,978,732	B. Tech	15	January 1, 1997	GEO Motors Private Limited
(B) Employed for part of the financial year								
1	V.Krishnan	58	Executive Director	963,353	B.Tech, MMS (Finance)	27	January 29, 2007	ITCOT Consulting & Services Ltd
2	Harish Babu	42	CEO, Interior Division	2,834,127	Diploma	28	April 1, 2006	Sobha Interiors Private Limited,
3	Uwe A Krueger	47	German Master Mason	2,328,949	Master Craftsman	21	October 28, 2005	Oberleithner, Eppendorf, Austria
4	Jens Schubert	43	German Master Mason	2,538,498	Master Craftsman	20	November 29, 2005	CJD, Heidenau, Germany
5	Martin Voss	44	German Head R & D	750,926	Civil Engineer	18	April 2, 2007	University Stuttgart, Germany
6	Sylvio Palatini	39	German Master Mason	1,795,179	Master Craftsman	20	April 12, 2007	S.C.O.P Pele Normandie Granits Saint James, France
7	Oliver Herbert Klalber	39	German Master Mason	685,600	Master Craftsman	20	September 1, 2007	Programmabau, Landsberg, Germany
8	Mario Dieter Wolfrum	40	German Road Master	600,422	Master Craftsman	22	January 21, 2008	Construction Service, Beregovo, Ukraine
9	Roland Hahn	43	German Master Mason	307,019	Master Craftsman	22	February 27, 2008	Mohr, Leuterhausen, Germany
10	Manfred Angrick	54	German Master Mason	234,265	Master Craftsman	37	March 5, 2008	OFL, Weimar, Germany
11	Jackbasitan K. Nazareth	40	Executive Director	3,013,601	M.Tech, MBA	18	December 12, 2003	VitroStar India Private Limited
12	Olaf Wagner	34	Senior Vice President	2,911,618	Master Craftsman	10	July 1, 2007	SAKRET Trockenbaustoffe, Kirchstockach, Germany

Note : Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules , 1975 and forming part of the Directors' Report for the year ended March 31, 2008

1. Gross Remuneration comprises of salary, allowances, Company's contribution to provident fund and taxable value of perquisites.

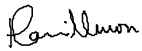
2. The Employee would qualify for being included in Category (A) or (B) on the following basis :

(A) if the aggregate remuneration drawn by him during the year was not less than Rs.24,00,000 p.a.

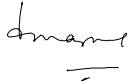
(B) if the aggregate remuneration drawn by him during the part of the year was not less than Rs.2,00,000 p.m.

3. None of the employees mentioned above is a relative of any Director of the Company except Mr. Ravi Menon and Mr.Shine. V.Nair who is a relative of the Promotor of the Company

For and behalf of Board of Directors of Sobha Developers Limited



Ravi Menon
Vice Chairman



J.C. Sharma
Managing Director

Bangalore
May 30, 2008

Management Discussion and Analysis

A. ECONOMIC SCENARIO

The Indian economy witnessed a surge in capital inflows in 2007-08. As per the Economic Survey of India Report for 2007-2008, this was a natural sequence to the robust macroeconomic fundamentals of India like high growth, relative stability in prices, healthy financial sector and high returns on investment. Even as the external environment remained encouraging to India's growth, the problems of managing a more open capital account came to the fore in terms of the economy approaching the limits of its absorptive capacity with the pace of adjustment becoming somewhat difficult in the short run.

Growth in world trade volume of goods and services decelerated from 9.2 % in 2006 to 6.6 % in 2007 and is projected to remain around the same levels in 2008. World trade prices, in contrast, are projected to rise sharply for manufactures, but likely to be moderate for oil and other commodities. However, with sharp rise in oil prices of late, the growth in value terms may remain high.

World prices of crude oil, metals, commodities and food grains have risen sharply in the recent past. Coupled with the rising trend of inflation this is a major concern. Though capital inflows are far in excess of comfortable requirements, good monetary management is the requirement of the hour in the short term. In India, the outlook for exports in 2008-09 may not be as bright as in the past few years with lower projections in world GDP and world imports and exchange rate developments.

Global Scenario of Real Estate Sector

The origin of the sub-prime mortgage crisis was in the United States (US) housing market, and it became a major financial crisis during the year under review. The crisis later spread to Europe and some other parts of the world. The advent of the sub-prime mortgage crisis was due to the gradual softening of international interest rates during the last few years, coupled with relatively easy liquidity conditions across the world.

Positive Asian Market

Despite increasing uncertainty in the global economic outlook, corporate expansion continued in many parts of Asia, and business sentiment remained largely positive due to expectations that leading Asian economies will outperform the US and Europe. The supply crunch has continued to exert upward pressure on rentals in most Asian office markets during the first quarter of 2008. According to CBRE Research, the majority of the 16 cities covered in the quarterly Asian Office Market has recorded vacancy levels below 5% for four or more quarters in 2008. These cities include the regional financial centres of Tokyo, Hong Kong and Singapore, India's first-tier cities, and Manila and Ho Chi Minh City in South East Asia. The supply situation in the peripheral areas of Gurgaon and Noida is set to improve as a significant amount of supply is set to enter the market over the rest of 2008 and into 2009. During the first quarter of 2008, banks and financial institutions continue to show keen appetite for expansion space. Demand has exceeded available supply and landlords commanded high rents on rent reviews/lease renewals due to the absence of alternatives for occupiers.

Indian Economy and the Real Estate Sector

The Indian Economy has moved decisively to a higher growth phase,

with growth in GDP at market prices exceeding 8 % every year since 2003-04. A slowdown in the US economy, which looks like a distinct possibility, may adversely affect the consumer side to some extent. A ripple effect of the slowdown will be felt by the employees of the IT companies who, over the past few years have fuelled the service sector growth in the economy.

The Indian Real Estate sector after being on a high for almost three years is witnessing a slight correction throughout the country. Growth over these last three years was characterized by strong economic fundamentals, increasing purchase capacity of the investors, leading to rise in demand which in turn, led to increase in supply by developers who wanted to capitalize on the opportunity.

With an expectation of over 8 % growth in the Indian economy, the Company expects the real estate market to remain stable. The increased interest rates in 2007 and the rising property prices have kept the speculators at bay, and the demand presently is originating from genuine buyers. The inflationary pressures currently being witnessed in the economy too will drain the investors in the short run.

The Company feels that the fundamentals will remain positive in 2008 and prices may moderate in the markets; however, the property market may witness a slowdown with some moderate correction which will vary from region to region. The demand-supply gap is anticipated to be much closer this year. The Company expects that developers will be reluctant to reduce prices and may indulge in adding sweeteners to their deals rather than engaging in direct reduction in prices.

Demand Drivers to Remain Positive

The abolition of Urban Land Ceiling and Regulation Act by two states, viz., Maharashtra and Andhra Pradesh, will release large land parcels for development, benefiting the end user. The improvement in infrastructure with construction of flyovers across major cities in India will reduce the travelling time and is expected to have a favorable impact on the growth of peripheral areas.

Financial Impact

Real Estate developers with strong land banks will continue to reap profits in the markets. However increase in input costs, especially steel and cement, will adversely affect the developers' profit margins.

Future Trend

The Company expects that there will be a rise in construction of affordable housing coupled with retail and hospitality ventures, and that novel concepts like mixed use developments and malls including luxury retail outlets will be greatly accepted in the years to come. Serviced apartments is another concept which is catching up in India.

A 'serviced apartment' is a fully furnished property comprising of a lounge, dining area, study, fully equipped kitchen, separate bedroom(s) and en-suite bathroom(s) ideal for a week to a few months' stay. This concept though, to some extent already prevalent in the major cities, is still to catch up in others. The Company expects this concept to gain acceptance with the increase in business travelling in the country.

The Company also expects the tier – II cities like Chandigarh, Pune, Coimbatore, Kochi, and Mysore to be the real moneymakers in the future. They have a cost advantage when compared to the tier- I cities in terms of lease rentals as well as labour pool.

The transparency and governance standard of the industry has improved significantly due to the realty index inception as well as the increase in real estate companies raising funds through the capital markets. The Company expects this trend to further strengthen the industry fundamentals.

REMF AND REIT

The tight monitoring policy observed by the RBI towards the realty players may act as a restraint to acquire capital for funding their upcoming projects. With the recent announcement of the much-awaited regulation of Real Estate Mutual Funds (REMFs), stakeholders are excited with the prospect of investing in the much-sought-after avenue of real estate. Effectively, an REMF can purchase properties like a mall or an office premises and get the two-fold benefit of income generated from rentals and capital appreciation. However, the eagerly awaited Real Estate Investment Trusts (REIT) will definitely open a new window of raising finance for the projects.

Fundamentally, both REIT and REMF invest in income-generating real-estate assets. Regulations relating to REITs are still at the consultation stage while REMF guidelines have now been crystallised. REITs are expected to distribute a majority (90 per cent) of their income from such assets to its unit holders while REMFs may plough the income back into the portfolio and make such funds available for new investments within the scheme. While the REITs are still not an option, as the regulation evolves, it would provide an alternative type of cash flow stream for investors.

Though the year has begun on a cautious note with news of a possible recession in the US, the crash of the stock markets and a crude prices-led inflation, the Company's view is that the real estate market will be buoyant in the time to come. The adverse factors may be a concern over a short term but in the long run the Indian growth story is beyond doubt.

B. COMPANY'S GENERAL BUSINESS PROFILE, STRENGTHS AND STRATEGY INITIATIVES, FUTURE OUTLOOK AND NEW BUSINESS OPPORTUNITIES

The Company is one of the leading real estate development and construction companies in India. The Company undertakes construction of projects on contractual basis also. The Company's residential projects include presidential apartments, life-style villas, row houses, super luxury apartments and luxury apartments along with amenities such as clubhouse, swimming pool, shopping complex. Though the ongoing residential projects are located in Bangalore, Thrissur, Coimbatore and Pune, the Company has made its pan-India presence felt by undertaking contractual projects in several cities located in the states of Karnataka, Kerala, Andhra Pradesh, Orissa, Tamil Nadu, Punjab, Haryana, Rajasthan and Maharashtra.

The Company is one of the fastest-growing real estate companies in India and the only backward-integrated company of its kind in the sector. Since its inception the Company's reputation has been built on rock solid values, benchmarked quality standards, uncompromising business ethics, focused customer-centric approach, robust engineering, in-house research and development and transparency in all its dealings, which have contributed in making the Company, a preferred real estate brand in both

residential and commercial segments. This was emphatically endorsed during its IPO in 2006 when the issue was oversubscribed by 127 times, which created history in the Indian capital market during that time.

The Company is widely acknowledged as an industry benchmark for world-class building techniques and quality standards. The company has undertaken and completed contractual projects for corporate giants like Infosys, Hewlett Packard, Dell, Timken, MICO, Contel, Bharat Forge and the Taj Group of Hotels wherein the reliability of project execution was strongly established.

The Company has a unique business model that combines both backward and forward integration within its verticals and has recently diversified into manufacturing and marketing spring mattresses under the brand name "Sobha Restoplus". Total commitment to quality has been the driving force behind the success of the Company.

Considering the present land bank it has at various strategic locations, the Company is capable of developing approximately 175 Million SFT of saleable area over a period of ten years. It has full-fledged Sales, Marketing and CRM Department managed by qualified Engineers and Architects. It offers the complete range of facilities/expertise required in the real estate and construction business.

The backward integration of all its processes has been the key driver for the Company's high standards in quality. It has been at the forefront of adopting world-class building techniques and now enjoys an ever-widening reputation for reliability, dependability and honesty. The Company's backward integration efforts are driven by the passion to ensure consistent world-class quality of its major inputs such as woodwork, glazing, metal works and concrete products.

The woodworks factory, spread over close to 400,000 SFT of built up space, is the largest such facility in the whole of Asia. It has expertise in seamless joints and curves, machined smooth surfaces, perfect edges and very high precision in dimension. The Interiors Division specializes in manufacture of doors and windows, wall paneling, wooden flooring, wooden ceiling, cabinets, modular kitchen cabinets, cupboards wardrobes, home and office furniture.

The Structural Glazing & Metal Works factory has a built up space of around 130,000 SFT and offers high-end solutions in structural steel, structural glazing, architectural glazing and metal works.

The Company has signed an agreement with SCHÜCO International KG, based in Germany, a leading developer, producer and distributor of aluminium systems for windows, doors and façades world over to process, fabricate, market and sell a range of SCHÜCO aluminium systems in India. As per the terms of the agreement the Structural Glazing & Metal Works factory will fabricate and install the approved range of SCHÜCO systems in the country. This association shall facilitate the usage of a whole range of materials and collective know-how by the Company and SCHÜCO. A system of building components developed by SCHÜCO is expected to minimise quality problems at the interface between different components and will enable projects to be completed well within the scheduled period, thus further maintaining the Company's successful track record.

The Concrete Products Division, with state-of-the art machinery and plant imported from MASA, Germany, manufactures high quality hollow and solid concrete blocks for walls, concrete blocks for lintels, concrete paving slabs with shot blasted or exposed

aggregate surface, kerbs & barrier products and water drainage products.

The biggest challenge today is customer delight. With the expectations of the customer increasing day by day the primary task is to build up the capability to deliver consistent quality to the satisfaction of the discerning customer. In this process, the Company's backward integration plays a predominant role in terms of project delivery and quality.

Foray into Retail Business – In an attempt to provide complete lifestyle products for home needs, the Company has forayed into spring mattresses, modular office furniture, loose hospitality furniture, and housing furniture. It uses imported machinery and imported raw materials to provide premium quality.

Project Details of the Company

The Company, the industry leader in Bangalore, has completed and delivered eight residential projects aggregating 3.06 Million SFT during the period under review. In addition, seven new residential projects have been launched in Bangalore, Thrissur, Pune and Coimbatore aggregating 2.80 Million SFT. During the year, the Company completed eighteen contractual projects aggregating 2.28 Million SFT in Bangalore, Mysore, Chennai, Hyderabad, Chandigarh, Mangalore, Trivandrum, Pune, and Mumbai.

Summary of the projects completed, ongoing and forthcoming as on March 31, 2008 is as follows:

Residential

- Completed: 38 projects aggregating 9.30 Million SFT
- Ongoing: 38 projects aggregating 10.33 Million SFT
- Forthcoming: 19 projects aggregating 19.25 Million SFT

Commercial

- Completed: 11 projects on a turnkey basis covering 3.25 Million SFT
- Forthcoming: 12 projects aggregating 4.58 Million SFT

Contractual

- Completed: 114 projects, covering 12.39 Million SFT
- Ongoing: 32 projects, covering 8.34 Million SFT
- Forthcoming: 9 projects aggregating 1.67 Million SFT

C. FINANCIAL CONDITION

The overall performance of the Company during the current financial period has been good. The net sales of the Company stood at Rs. 14,291 Million and net profit before tax is Rs. 2,709 Million. A summary of financial results for the financial period 2007 - 08 is presented below.

SOURCES OF FUNDS

1. Share Capital

The present share capital of the Company consists of equity shares of the face value of Rs.10 each and redeemable preference shares of Rs.100.

The Authorised Share Capital is Rs. 2,000 Million, divided into 80 Million equity shares of Rs. 10 each and 12 Million redeemable preference shares of Rs.100 each.

The issued, subscribed and paid up equity share capital as of March 31, 2008 is Rs. 729.02 Million, the same as in the previous year. The Company does not have any preference shares outstanding as of March 31, 2008.

The equity shares of the Company are currently listed on NSE and BSE in India. The market capitalisation of the Company (based on NSE closing rate) as of March 31, 2008 was Rs.44,011 Million (previous year Rs. 58,569 Million).

2. Reserves and Surplus

A summary of reserves and surplus is provided in the table below :
(Rs. in Million)

	As on March 31,	
	2008	2007
a Capital Redemption Reserve	87	87
b Share Premium	5,639	5,639
c General Reserve	700	450
d Debenture Redemption Reserve	309	-
e Profit and Loss Account	2,419	1,250
Total	9,154	7,426

a. Capital Redemption Reserve

This reserve was created for redemption of redeemable preference shares during 2006-07. As on March 31, 2008, this is Rs. 87 Million, the same as in the previous year.

b. Share Premium

There was no change in the share premium of the Company during the year.

c. General Reserve

A statement of movement in the general reserve is given below :

(Rs. in Million)

	As on March 31,	
	2008	2007
Balance – beginning of year	450	250
Add : Transfer from P & L Account	250	200
Balance – end of year	700	450

d. Debenture Redemption Reserve

The Company has created Debenture Redemption Reserve amounting to Rs.309 Million during the year, out of the profits of the Company for the year, to provide for redemption of non convertible debentures.

e. Profit and loss account

The balance retained in the profit and loss account as of March 31, 2008 is Rs. 2,419 Million after providing the proposed dividend of Rs. 474 Million and dividend tax of Rs. 81 Million. The book value per share increased to Rs.135.57 as of March 31, 2008 from Rs.111.87 as of March 31, 2007.

3. Loan funds

3.1 Secured Loans

During the period under review, the Company has increased its secured borrowings from Rs.5,452 Million to Rs.14,381 Million. The details regarding borrowings raised and repaid during the year 2007-08 is given below.

(Rs. in Million)

	Year ended March 31	
	2008	2007
Opening Balance	5,452	4,208
Borrowed during the year	15,721	6,900
Repaid during the year	6,792	5,656
Closing Balance	14,381	5,452

3.2 Unsecured Loans

During the year 2007-08, the Company has raised unsecured loans to the extent of Rs.2,895 Million and repaid Rs.30 Million. Hence the balance of unsecured loans increased from Rs.385 Million as on March 31, 2007 to Rs.3,250 Million as on March 31, 2008.

APPLICATION OF FUNDS

4. Fixed assets

A statement of movement in fixed assets is given below:

(Rs.in Million)

	As on March 31		
	2008	2007	% Increase
Land	66.36	66.36	
Buildings	332.27	327.02	1.61
Plant and machinery	1,985.98	1,724.34	15.17
Furniture and fixtures	35.33	27.12	30.27
Vehicles	84.63	64.88	30.44
Computers & Office Equipment	149.55	113.04	32.30
Capitalised software	57.16	10.96	421.53
Gross Block	2,711.28	2,333.72	16.18
Less: Accumulated Depreciation	841.78	494.83	70.11
Net Block	1,869.50	1,838.89	1.66
Add: Capital Work-in-progress#	272.49	108.94	150.13
Net Fixed Assets	2,141.99	1,947.83	9.97
Depreciation			
as % of revenue	2.44%	2.05%	
as % of average gross block *	14.27%	14.09%	

#The capital work-in-progress as of March 31, 2008 and 2007 represents advances paid toward acquisition of fixed assets, and the cost of assets not put to use.

*Excluding land

a. Capital expenditure

The Company incurred an amount of Rs.549 Million (Rs.1,173 Million in the previous year) as capital expenditure comprising of additions to gross block of Rs. 385 Million and Rs.164 Million on account of increase in capital work in progress. The capital expenditure was funded out of borrowings and internal accruals.

b. Additions to gross block

During the year, the Company added Rs. 385 Million to the Company's gross block comprising of Rs. 264 million for investment in Plant & Machinery, Rs.46 Million in Computer Software and the balance of Rs. 75 Million in Computers, Office Equipment, Vehicles etc. During the previous year, the Company added Rs.1086 to the

Gross Block including investment in Plant & Machinery Rs.780 Million, Rs.219 Million in buildings and the balance Rs. 87 Million in other assets.

c. Retirement of assets

During the year, the Company retired / transferred various assets with a gross block of Rs.8 Million and a net book value of Rs.4 Million. During the previous year, the Company retired / transferred various assets with a gross block of Rs.3 Million and a net book value of Rs.1 Million.

d. Capital expenditure commitments

The Company has a capital expenditure commitment of Rs.41 Million, as of March 31, 2008 as compared to Rs. 18 Million as of March 31, 2007.

5. Investments

a. Subsidiary

SBG Housing Private Limited, which was a subsidiary in the previous year ceased to be a subsidiary during the period under review, as a result of divestment of the Company's equity holding in it. SBG Housing Private Limited was not a material subsidiary and the Board of Directors has accorded the necessary approval for sale of the Company's stake in the said subsidiary Company. During the year, the Company has invested Rs.200 Million in a Partnership Firm "Sobha City" towards its 1/3rd share of capital, for a profit share of 70% of the firm's net profit. Details are provided in the Notes to Accounts (Schedule-19, Point No.23). The consolidated financials for the current year reflects its share of revenue and profits.

b. Other investments

There is no change in the other non-trade investments like investment in 2,680,000 (previous year - 2,680,000) equity shares of Rs.10 each fully paid-up in Sobha Renaissance and Information Technology Private Limited and Government Securities.

c. Investment in liquid mutual funds

The Company sold its entire investment in liquid Mutual funds of Rs.501 Million during the current year, details are given in the notes to accounts. (Schedule 19, Point No.24)

6. Deferred tax assets

The Company recorded deferred tax assets of Rs. 11 Million as of March 31, 2008 compared to liability of Rs. 22 Million as of March 31, 2007. Deferred tax assets/liability represent timing differences in the financial and tax books arising from depreciation on assets and expenditure under section 43B of Income Tax Act, 1961, which are allowed in the year of payment. The deferred tax assets will be recovered from future taxable income.

7. Inventories

Inventories have gone up from Rs.3,778 Million as on March 31, 2007 to Rs.7,879 Million as on March 31, 2008. Major portion of inventory is attributed to work-in-progress of Rs.7,235 Million in the current year end compared to Rs.3,513 Million in the previous year.

This is mainly due to the non recognition of sale value relating to the land and construction portion of unfinished ongoing real estate projects, since the Company's policy is to recognize the income only after it reaches 25% or more of the estimated construction cost. As on March 31, 2008, the Company has 14 such projects (5.33 Million SFT) out of 38 ongoing real estate projects (10.33 Million SFT). The income of these 14 projects will get recognized over a period of time, based on the percentage of completion of such projects. The work-in-progress also includes the unbilled portion of contractual projects. The Company also has unsold flats worth Rs. 356 Million as compared to Rs. 19 Million in the previous year end.

8. Sundry Debtors

Sundry debtors amount to Rs.5,452 Million (without considering advance of Rs.1,068 Million) as of March 31, 2008 as compared to Rs.1,580 Million (without considering advance of Rs.2,265 Million) as of March 31, 2007. Since the ownership of apartments is transferred to the clients upon full and final settlement of their dues, the Company considers these debtors as good and realizable. Further, the debtors outstanding more than six months are only Rs.415 Million (Rs.91 Million in the previous year) out of total receivable of Rs.5,452 Million (Rs.1,580 Million in the previous year)

9. Cash and cash equivalents

The cash balance includes, the cash maintained by various branches and imprest cash maintained in various projects for day to day expenses. The bank balance includes the balance in various current accounts maintained at various banks/locations. The deposit account represents deposits for short tenures and margin money towards loan escrow account and other non-fund based utilization of limits. The deposit includes the accrued interest and outstanding (if any) as of the balance sheet date. The Company's investment policy is to invest surpluses with banks and financial institutions for short-term maturities and also with liquid mutual funds. The balance under this head reduced from Rs.684 Million as on March 31, 2007 to Rs.126 Million as on March 31, 2008.

10. Loans and advances

The loans and advances has increased from Rs.11,158 Million as on March 31, 2007 to Rs.17,282 Million as on March 31, 2008. This is mainly due to increase in advance towards purchasing land Rs.16,248 Million (as on March 31, 2008) from Rs. 9,761 Million (as on March 31, 2007). Advances are primarily towards amount paid in advance for value and services to be received in future. The Advances/ deposits for land are considered good as they have been given based on arrangements/ memorandum of understanding executed by the Company, and the Company/ seller/ intermediary is in the course of obtaining clear and marketable title, free from all encumbrances.

11. Current liabilities

Sundry creditors include creditors for goods, services and expenses, advance from customers, interest accrued but not due etc. This account has been reduced from Rs.5,034 Million as on March 31, 2007 to Rs.4,771 Million as on March 31, 2008. Unclaimed dividends represent dividends paid, but not en-cashed by shareholders and are represented by a bank balance of the equivalent amount.

Advances received from customers denote monies received for the delivery of the final product at a future date and the amount received for which income is yet to be recognized in the books of accounts.

12. Provisions

Proposed dividend represents the final dividend recommended to the shareholders by the Board of Directors of the Company. Upon approval by the shareholders, this will be paid after the Annual General Meeting. Provision for corporate dividend tax denotes the taxes payable on dividends declared for the year. Provisions for compensated absence represents an amount equivalent to earned leave standing to the credit of the employees' account.

D. OPERATIONAL REVIEW

1. Income

The Company is one of the leading real estate development and construction companies in India, which focuses on residential and contractual projects. For the purpose of analysis, its revenue can be segregated as follows

Income from Operations	Year ended March 31		Growth %
	2008	2007	
Income from property development	8,533	7,532	13.00
Income from contractual activity	3,887	3,033	28.00
Income from manufacturing	1,943	1,382	41.00
Share in profits of partnership firm (post tax)	67	-	-
Total	14,430	11,947	21.00

The company is following a stringent account policy in recognizing revenue. Revenue in respect of real estate property development is recognized based on the project cost actually incurred as a proportion of total estimated project cost and the proportion of the estimated saleable area in the project in respect of which bookings have been made. However, if the actual project cost incurred is less than 25% of the total estimated project cost, no income is recognized in respect of that project in the relevant fiscal period. Estimates of saleable area and the related income as well as project costs are reviewed periodically. The effect of any changes to estimates is recognized in the financial statements for the period in which such changes are determined. During the financial year 2007-08, the Company has completed eight projects having 3.06 Million SFT. The Company has so far delivered 38 real estate projects having 9.3 Million SFT. There are 38 ongoing projects with 10.33 Million SFT out of which 14 new projects with 5.33 Million SFT were commenced during the period under review. The income of these 14 projects will get recognized over a period of time, based on the percentage of completion of such projects as per the Company's revenue recognition policy. The Company has plans to launch 19 more projects aggregating 19.25 Million SFT in places like Bangalore, Thrissur, Mysore, Pune and NCR region.

Revenue in respect of contractual projects is recognized on the basis of completion of a physical proportion of the contract work, agreements entered into by the Company with its customers, and certification by the clients. The Company has delivered 18 contractual projects having 2.28 Million SFT during the year under review.

Revenue from sale of materials from the Manufacturing Divisions like Interior, Glazing & Metal Works, Building Materials is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with the dispatch of goods to the customers. Major portion of the dispatches from these divisions are to the contractual projects which resulted in 41% growth over the previous year. Service income is recognized on the basis of completion of a physical proportion of the contract work and certification by the client.

The Company's share in profits from a firm where the Company is a partner is recognized on the basis of the firm's audited annual accounts, as per the terms of the partnership deed. As per the deed, the Company has invested Rs.200 Million towards capital for 70% share in the profits and the other partner Tree Hill Estates Pvt Limited has invested Rs.200 Million towards capital and Rs.400 Million towards loan for 30% share in the profit of the firm. This has been arranged for the projects in Thrissur.

2. Other Income

This has increased from Rs.29 Million to Rs.53 Million in the current year mainly due to income from treasury operation by investing surplus funds in liquid mutual funds. The details are given in the notes to accounts.

3. Expenditure

The total expenditure with respect to the yearly revenue is as follows:

	(Rs. in Million)			
	2008	%	2007	%
Revenue from operations (net)	14,291	100.00	11,865	100.00
Cost of sales	7,725	54.10	7,054	59.50
Personnel expenses	1,025	7.20	735	6.20
Operating and other expenses	1,939	13.60	1,509	12.70
Depreciation/ amortisation	350	2.50	244	2.10
Financial expenses	597	4.20	486	4.10
Total	11,636	81.40	10,028	84.50

3.1 Cost of Sales

	(Rs. in Million)			
	2008	%	2007	%
Revenue	14,291	100.00	11,865	100.00
Cost of sales				
Land Cost	3,900	27.30	1,832	15.40
Construction cost	6,370	44.60	4,952	41.70
Raw material	1,229	8.60	1,051	8.90
Production expenses	288	2.00	236	2.00
Decrease/ (increase) in inventories	(4,062)	(28.40)	(1,017)	(8.60)
Total Cost of Sales	7,725	54.10	7,054	59.50

a. Land Cost

The Company while obtaining clear and marketable title, free from all encumbrances and transfer of legal title in its name, charge the amount to Land cost from Loans and Advances paid to the seller/intermediary. When income is not recognised for the

undivided share of land, it is transferred to work-in-progress. The Company has launched seven projects during the year under review with a saleable area of 2.80 Million SFT in Bangalore, Thrissur, Pune and Coimbatore. Hence it has increased from Rs.1,832 Million to Rs.3,900 Million in the current year, and transferred to work-in-progress.

b. Construction Cost

Construction cost mainly consists of materials towards civil, electrical and finishing works. Due to increase in number of projects (real estate and contractual) coupled with increase in input costs like steel and cement, the overall cost has gone up from Rs.4,952 Million to 6,370 Million in the current year. Further, as per the Company's accounting policy, once the materials are purchased for a project, it is charged to that particular project cost. As a result, any cost is associated with un-recognized revenue are transferred to work-in-progress.

c. Raw Material

Though raw materials costs have increased from Rs.1,051 Million to Rs.1,229 Million during the current year, as a percentage of revenue, it remains the same. This cost includes the net materials consumed for the Concrete, Interior and Glazing Divisions.

d. Production Expenses

Production expenses include the following heads of expenses for the manufacturing divisions during the year.

	(Rs. in Million)			
	Concrete Products	Interior	Glazing	Total
Direct wages	4.44	106.06	118.39	228.89
Power and fuel	7.68	16.81	1.59	26.08
Labour charges	0.16	8.27	0.00	8.43
Other direct expenses	-	19.19	5.10	24.29
Total	12.28	150.33	125.08	287.69

Note: This is in line with the increase in volume of business.

e. Decrease/ (increase) in inventories

As explained earlier, the cost associated with un-recognized revenue is transferred to work-in-progress. This includes construction cost, land cost. As the company has launched many projects and commenced its projects at various location, the net change in work-in-progress has increased from Rs.(1,017) Million to Rs.(4,062) Million. The revenue from these works-in-progress will get realised in subsequent years based on the stage of completion and sales of those projects.

3.2 Personnel Expenses

The personnel expenses have increased from Rs.735 Million to Rs.1,025 Million for the current year. This is mainly due to increase in salary and rate of bonus/incentive to the staff during the year 2007-08, though the total strength has reduced slightly from 3,487 as on March 31, 2007 to 3,308 as on March 31, 2008. These expenses include salaries & bonus, provision towards gratuity & leave encashment, provident fund and staff welfare expenses.

3.3 Operating and other expenses

The operating expenses have increased from Rs.1,509 Million in the previous year to Rs.1,939 Million in the current year and the Company incurred 13.6% on revenue during the current year as compared to 12.7% in the previous year.

(Rs.in Million)

Particulars	2008		2007	
	2008	%	2007	%
Revenue	14,291	100.00	11,864	100.00
Electricity charges	56	0.40	30	0.30
Insurance charges	54	0.40	33	0.30
Sales tax & others	767	5.40	724	6.10
Freight outwards	43	0.30	29	0.20
Donation	100	0.70	129	1.10
Registration expenses - flats	241	1.70	160	1.30
Rent	136	1.00	94	0.80
Legal and professional charges	107	0.70	105	0.90
Repairs and maintenance	23	0.20	17	0.10
Advertisement and sales promotion expenses	143	1.00	50	0.40
Travelling and conveyance	97	0.70	67	0.60
Miscellaneous expenses	172	1.20	71	0.60
Total	1,939	13.60	1,509	12.70

This increase is due to increase in the number of offices set up during the year and incurrence of substantial advertisement and branding expenses in the new location as the Company commenced these operations to make pan India presence.

4. Operating profits

The Company earned an operating profit (EBIDTA) of Rs. 3,656 Million, representing 25.5% of total revenues as compared to Rs.2,596 Million, representing 21.8 % of total revenues during the previous year. The growth rate of EBIDTA is around 41% over the previous year.

5. Interest

The Company has charged interest to profit & loss account to the extent of Rs.597 Million and Rs.486 Million for the years ended March 31, 2008 and 2007. An amount of Rs.897 Million and Rs. 136 Million were inventorised/ capitalized during the years ended March 31, 2008 and 2007. The increase in interest is due to increase in borrowing cost and quantum of borrowings.

6. Depreciation and Amortization

The Company has provided Rs.350 Million and Rs.244 Million towards depreciation and amortisation during the years ended 2008 and 2007 respectively, representing 2.44% and 2.05% of revenues. The depreciation as a percentage of average gross block (excluding land) is 14.27% and 14.09% for the years ended March 31, 2008 and 2007.

7. Provision for Taxes

The details of provision for taxes are as follows:

(Rs. In Million)

	Year ended March 31	
	2008	2007
Current tax	453.00	240.07
Deferred tax charge/ (credit)	(33.02)	5.61
Wealth tax	0.30	0.20
Fringe benefits tax	5.50	4.80
Total Provision	425.78	250.68
% on PBT	15.70%	13.40%
% on Total Revenue	3.00%	2.10%

The corporate tax provision are higher for the year ended March 31, 2008 compared to the previous year as a few project incomes do not qualify for 100% deduction under Section 80(I-B) of Income Tax, 1961. The Company has availed the benefit on reversal of deferred tax created during the earlier period due to time difference.

8. Net profit

The net profit after tax has increased from Rs.1,615 Million for the year ended March 31, 2007 to Rs.2,283 Million for the year ended March 31, 2008 shows a growth rate of 41% over the previous year.

(Rs.in Million)

	Year ended March 31	
	2008	2007
Total Revenue	14,345	11,894
PBT	2,709	1,866
PAT	2,283	1,615
PBT as % of revenue	18.9%	15.7%
PAT as % of revenue	15.9%	13.6%

9. Liquidity

The Company's growth has been financed through cash generated from Operations and debt. The Company's policy is to maintain sufficient cash balance to fund ongoing project requirements, operational expenses and other strategic initiatives like land acquisition.

The Company's investment policy is to invest surplus in banks and financial institutions for short-term maturities and also with liquid mutual funds. The Company aims to maintain adequate cash balances to meet its strategic objectives while earning adequate returns.

10. Related party transactions

These have been discussed in detail in the notes to the financial statements in this report.

E. RISKS AND THREATS TO BUSINESS

The real estate sector has been clouded by concerns of a liquidity crunch as well as a slowdown in offtake. Bank loans to real estate have decelerated substantially in the last one year. Tightening of the policy by the RBI is one of the key reasons for the decline in growth rates. Real estate stocks have taken a major beating in the recent market meltdown amidst concerns of a slowdown in growth on account of funding constraints. While these concerns are justified to some extent, the Company believes that large real estate companies are in a position to withstand the current funding issues. The Company believes that large companies will continue to have easy access to finances on account of their comfortable leverage ratios, healthy pre-sale figures and strong land bank.

F. STRATEGY

The key elements of the Company's business strategy include the following:

Expand into new geographical areas

The Company's real estate development activities have been extended to Thrissur, Coimbatore and Pune apart from Bangalore during the year 2007-08. As a part of its growth strategy, the Company is planning to launch new projects in Chennai, Cochin, Mysore and the NCR region in the immediate future. Regional offices have already been set up with required man-power and sufficient land bank to start the operations.

High volume/value projects

The Company has sufficient land bank in various strategic locations to undertake and launch high value/volume of space projects like integrated townships, SEZ, malls and retail commercial projects.

Increase business from existing and new clients in contractual projects

The Company has successfully executed contractual projects for its existing clients that include Infosys Technologies Limited, MICO BOSCH, Taj Group of Hotels, Timken, Hewlett Packard, Bharat Forge, Contel, Dell and other companies. The Company believes that the execution of contractual projects is a key growth area for its business and intends to pursue new contractual assignments from its existing clients and build its corporate client base by actively engaging in competitive bidding for the execution of contractual projects.

Diversifying the portfolio of projects

The Company intends to diversify the portfolio of projects by developing hotels, integrated townships, malls, multiplexes, shopping complexes and by undertaking plotted development. The Company's strategy is to position itself to capitalize on the development and construction opportunities generated by various sectors of the Indian economy.

Maintain high standards of quality

The Company has developed a reputation for consistently developing projects known for its innovativeness, quality and delivery in a timely manner. The Company intends to continue to focus on innovation, quality project execution and architectural design, in order to maximize its client satisfaction by using technologically advanced tools procured from Germany and processes to ensure quality construction.

Diversification of "Sobha" products

Though the core business of the Company is the development of residential and commercial property, the Company intends to launch new branded products in the retail market such as modular kitchen, modular furniture besides its recent successful launch of spring mattresses under the brand name "Sobha Restoplus". The underlying philosophy for diversification to include retail products like furnishings and interiors is a natural extension of the "Sobha" brand to related business while ensuring that such products conform to the existing stringent quality standards.

Outlook

Though the recent past witnessed the launch of several large township projects and luxury projects in various cities, the premium space (land) in residential areas is rapidly becoming scarce. Besides, several big real estate players are expected to foray into the real estate market. With lease market showing no signs of a downward trend and limited stock of quality apartments/houses, the rental values are expected to remain upbeat in the coming year. However, the capital values are expected to remain stable at the same value. As many Multi-national companies have set up their base in suburban areas of metro cities, the nearby areas are in great demand for housing of their employees. To cater to their needs, many builders are coming up with big and medium-sized projects. Thus, a re-alignment in capital values in the suburbs is expected where abundant supply would be available and investor activity has shown a slowdown.

As compared to last year, property and land prices were stable across all major markets. With land owners still holding their prices, joint venture developments have become a preferred mode of transaction, if developers are not willing to offer premium for outright sale. Some respite has been offered to mortgage business of the banks and financial institutions. Existing customers with loans on floating rate basis are clearly not happy with the move as they feel that banks and financial institutions are quick enough to raise the rates, but delay in passing on the benefits of lowered interest rates for a long time. Fixed interest rate loans are now preferred over floating rate loans, especially by investors looking for a second home.

With the recent announcement of the much-awaited regulation of Real Estate Mutual Funds (REMFs), stakeholders are excited at the prospect of investing in this much-sought-after avenue of real estate. Effectively, an REMF can purchase properties like a mall or office premises and get the two-fold benefit of income generated from rentals and capital appreciation, which will increase the demand for quality products.

G. HUMAN RESOURCE MANAGEMENT

For Sobha, manpower forms the vital resource for its operations. As one of the leading employers of the industry, we ensure that our employees are provided the best work environment. We are also in the forefront in attracting and retaining the best talent. Sobha is one of the few firms of the industry offering extensive work place skill development programs. A detailed report about the Human Resource Management at Sobha is given in the Additional Information Section of this report. We have provided a detailed report on HRM in the Add, Info Sec of this report.

H. INFORMATION TECHNOLOGY

At Sobha, we constantly endeavour to review and ensure that our applications, processes, tools and skills are adept at meeting our current and future needs. With today's rapid and dynamic changes, the mantra to stay ahead in the race is to have the right information and the right person in the right place at the right time and at the right cost. Information Technology forms one of our key strategic differentiators. We have put in place an IT network which runs across 45 plus locations across India connecting all our offices and project sites. IT is an enabler which aligns with Sobha's overall organizational strategy and is helping in the structured progress of the entire enterprise.

I. RISK MANAGEMENT FRAMEWORK

Sobha is on a high growth trajectory. Management believes that a robust risk management process is critical to the organization's ability to achieve its strategic business objectives. In this regard, management has invested time and resources in developing a risk management framework that will enable the Company to assess, mitigate and monitor the critical risks facing the organization on an ongoing basis. Specifically, Sobha's risk management framework addresses the organization's strategic, operational, financial and compliance related risks.

The framework comprises of the following:

1. Develop a risk library
2. Assess and prioritize risks
3. Develop mitigation plans for mission-critical risks
4. Implement an ongoing monitoring and reporting process

Management has already undertaken a comprehensive exercise to develop a risk library, and further, to assess and prioritize key risks. The Company is now focusing on developing mitigation plans for its critical risks and is in the process of implementing an ongoing monitoring and reporting process.

J. COMPLIANCE WITH LOCAL LAWS

The Company is subject to various laws and regulations in every state of India wherein it has operations. The Company has a well established legal set up for ensuring compliance with all statutes which are applicable periodically to its operations/ ventures. The Legal department at Bangalore is responsible for getting the various sanctions and approvals pertaining to projects. Any other approvals and permissions relating to specific operations are either handled by the corporate legal cell or the concerned department.

K. CAUTIONARY STATEMENT

In accordance with the Code of Corporate Governance approved by the Securities and Exchange Board of India, Shareholders and Readers are cautioned that in the case of data and information external to the Company, no representation is made on its accuracy or comprehensiveness though the same are based on sources believed to be reliable. Utmost care has been taken to ensure that the opinions expressed by the management herein contain its perceptions on the material impacts on the Company's operations, but it is not exhaustive as they contain forward-looking statements which are extremely dynamic and increasingly fraught with risk and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein.

Auditors' Report

To
The Members of Sobha Developers Limited

1. We have audited the attached balance sheet of Sobha Developers Limited ('the Company') as at March 31, 2008 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.

2. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. 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 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

i. 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;

ii. 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;

iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

iv. In our opinion, the balance sheet, profit and loss account and 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;

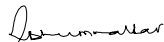
v. On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and

vi. 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 and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008;
b) in the case of the profit and loss account, of the profit for the year ended on that date; and

c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants


per Sunil Bhumralkar

Partner
Membership No. 35141

Nice, France
May 30, 2008

Annexure referred to in paragraph 3 of our report of even date
Re: Sobha Developers Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year. In respect of stocks lying with the third parties, confirmation for most of the stocks has been received.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) As informed, the Company has granted loan to one party covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs.76.19 million and the year-end balance was Rs.76.19 million. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company. The Company has granted interest-free advance in nature of loan to one party covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.165.41 million and the year-end balance from that party was Rs.165.41 million. The advance has been granted for various real estate development projects that would be undertaken by such entity, in which the Company also has interest. Accordingly, the terms and conditions of such business advance are not prima facie prejudicial to the interest of the Company. According to the information and explanations given to us, there are no specific covenants with regard to the repayment of such loans/ advances and the Company has not demanded repayment of such loans/ advances during the year, thus, there is no overdue amount and there has been no default on the part

of the parties to whom the money has been given. The payment of interest on the loan has been regular.

(b) As informed, the Company has loan from one party covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs.4.53 million and the year end balance was Rs.4.50 million. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are prima facie not prejudicial to the interest of the Company. According to the information and explanations given to us, there are no specific covenants with regard to the repayment of loan. The loans taken are re-payable on demand and the repayment of the principal amount is as demanded and payment of interest has been regular.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rs.0.50 million entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company

(ix) (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues towards provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, excise duty, wealth-tax, service tax, customs duty and cess applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed 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, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount * (Rs. in Million)	Period to which amount relates	Forum where dispute is pending
Andhra Pradesh Sales Tax Act	Basis of charge of sales tax	5.25	2002-05	Sales tax appellate tribunal
Karnataka Sales Tax Act	Basis of charge of sales tax	-	1998-05	Joint commissioner of commercial taxes
Income Tax Act	Differential tax treatment	3.54	2000 - 01, 2001 - 02	High Court
Income Tax Act	Disallowance by tax authorities	42.30	2003-04	Commissioner of income tax (appeals)

* Net of Rs.56.17 Million, paid under protest

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) According to the information and explanations given to us, 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) According to the information and explanations given to us, 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) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans (representing loans with a repayment period beyond 36 months) were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

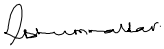
(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 425 debentures and 1,000 debentures of Rs.10 million and Rs.1 million each, respectively. The Company has created security or charge in respect of debentures issued.

(xx) We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants



per Sunil Bhumralkar
Partner
Membership No. 35141

Nice, France
May 30, 2008

Balance Sheet

(Rs. in Million)

	Balance as at March 31		
	Schedules	2008	2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	729.02	729.02
Reserves and surplus	2	9,154.42	7,426.41
		9,883.44	8,155.43
Loan funds			
Secured loans	3	14,380.88	5,452.27
Unsecured loans	4	3,249.62	384.50
		17,630.50	5,836.77
Deferred tax liabilities (net)	19(16)	-	22.33
		27,513.94	14,014.53
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	2,711.28	2,333.72
Less: Accumulated depreciation/ amortisation		841.78	494.83
Net block		1,869.50	1,838.89
Capital work in progress including capital advances		272.49	108.94
		2,141.99	1,947.83
Investments	6	293.95	527.67
Deferred tax asset (net)	19(16)	10.69	-
Current assets, loans and advances			
Inventories	7	7,878.57	3,777.95
Sundry debtors	8	5,451.61	1,579.64
Cash and bank balances	9	125.94	683.56
Loans and advances	10	17,281.58	11,157.67
		30,737.70	17,198.82
Less: Current liabilities and provisions			
Current liabilities	11	4,771.25	5,034.34
Provisions	12	899.14	625.45
		5,670.39	5,659.79
Net current assets		25,067.31	11,539.03
		27,513.94	14,014.53
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the balance sheet.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Nice, France
Date: May 30, 2008

For and on behalf of the Board of Directors of
Sobha Developers Limited

P.N.C. Menon
Chairman

P. Kanodia
Chief Financial Officer

Place: Bangalore, India
Date: May 30, 2008

Ravi Menon
Vice Chairman

K. Suresh
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Profit and Loss Account

(Rs. in Million)

	Year ended March 31		
	Schedules	2008	2007
INCOME			
Income from operations	13	14,429.81	11,947.49
Less : Excise duty		138.37	82.84
Income from operations (net)		14,291.44	11,864.65
Other income	14	53.30	28.84
		14,344.74	11,893.49
EXPENDITURE			
Cost of sales	15	7,724.56	7,054.21
Personnel expenses	16	1,024.73	734.55
Operating and other expenses	17	1,939.37	1,508.64
Depreciation/ amortisation	5	350.40	243.86
Financial expenses	18	596.89	486.38
		11,635.95	10,027.64
Profit before tax		2,708.79	1,865.85
Provision for tax:			
Current tax		453.00	240.07
Deferred tax charge/ (credit)		(33.02)	5.61
Wealth tax		0.30	0.20
Fringe benefits tax		5.50	4.80
Profit after tax		2,283.01	1,615.17
Appropriations			
Dividend on preference shares		-	4.64
Proposed final dividend		474.00	400.96
Corporate dividend tax - Preference and Equity		81.00	68.93
Transfer to debenture redemption reserve		309.00	-
Transfer to capital redemption reserve		-	87.29
Transfer to general reserve		250.00	200.00
Surplus carried to balance sheet		1,169.01	853.35
Earnings per share in Rs.			
[Nominal value per equity share Rs.10]			
Basic and Diluted	19(7)	31.32	24.26
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the profit and loss account.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Nice, France
Date: May 30, 2008

For and on behalf of the Board of Directors of
Sobha Developers Limited

P.N.C. Menon
Chairman

P. Kanodia
Chief Financial Officer

Place: Bangalore, India
Date: May 30, 2008

Ravi Menon
Vice Chairman

K. Suresh
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 1 - Share capital		
Authorised		
80,000,000 (Previous year - 80,000,000) equity shares of Rs.10 each	800.00	800.00
12,000,000 (Previous year - 1,000,000) 7% redeemable preference shares of Rs.100 each	1200.00	100.00
	2000.00	900.00
Issued, Subscribed and Paid-up		
72,901,733 (Previous year - 72,901,733) equity shares of Rs.10 each fully paid up	729.02	729.02
Of the above:		
a) 42,280,960 (Previous year - 42,280,960) equity shares of Rs.10 each, were allotted as fully paid-up bonus shares by capitalisation of reserves		
b) 583,468 (Previous year - 583,468) equity shares of Rs.10 each, were issued as fully paid-up shares by pre initial public offering ['IPO'] placement		
c) 8,896,825 (Previous year - 8,896,825) equity shares of Rs.10 each, were issued as fully paid-up shares by IPO		
	729.02	729.02
Schedule 2 - Reserves and surplus		
Capital redemption reserve		
Balance as per last account	87.29	-
Add: Transfer from profit and loss account towards preference share capital redemption	-	87.29
	87.29	87.29
Securities premium account		
Balance as per last account	5,638.95	-
On allotment of -		
a) 583,468 equity shares by pre IPO placement	-	354.16
b) 8,896,825 equity shares by IPO	-	5,605.00
	5,638.95	5,959.16
Less: Share issue expenses	-	320.21
	5,638.95	5,638.95
Debenture redemption reserve		
Balance as per last account	-	-
Add: Transfer from profit and loss account	309.00	-
	309.00	-
General reserve		
Balance as per last account	450.44	250.44
Add: Transfer from profit and loss account	250.00	200.00
	700.44	450.44
Profit and loss account		
Balance as per last account	1,249.73	819.18
Add: Transfer from profit and loss account	1,169.01	853.35
Less: Utilised for issue of fully paid-up bonus shares	-	(422.80)
	2,418.74	1,249.73
	9,154.42	7,426.41

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 3 - Secured loans [Refer note 3 of notes to accounts for securities offered]		
Debentures	3,500.00	2,250.00
Term loans	8,734.53	3,091.16
Loans and advances from banks		
Cash credit and other facilities	2,076.51	21.91
Vehicle/ equipment loan	28.66	11.20
Other loans and advances	41.18	78.00
	14,380.88	5,452.27
Schedule 4 - Unsecured loans		
Commercial paper (Short-term) [Maximum amount raised at any time during the year Rs.2,000 million (Previous year - Rs.Nil)]	1,892.49	-
Other loans and advances		
From banks	1,000.00	-
[Due within one year Rs.1,000 million (Previous year - Rs.Nil)]		
From others	352.63	380.00
[Due within one year Rs.60 million (Previous year - Rs.30 million)]		
From directors	4.50	4.50
[Due within one year Rs.Nil (Previous year - Rs.Nil)]		
	3,249.62	384.50

Schedules to the Accounts

(Rs. in Million)

Description	Gross block						Depreciation / amortisation				Net block	
	As at April 01, 2007	Additions	Deletions	As at March 31, 2008	As at April 01, 2007	For the year	Deletions	As at March 31, 2008	As at March 31, 2008	As at March 31, 2007		
A. Tangible assets												
Freehold land	39.87	-	-	39.87	-	-	-	-	-	-	39.87	39.87
Leasehold land	26.49	-	-	26.49	-	-	-	-	-	-	26.49	26.49
Factory buildings	327.02	-	-	327.02	19.64	-	-	49.80	30.16	-	277.22	307.38
Other buildings	-	5.25	-	5.25	-	-	-	0.22	0.22	-	5.03	-
Plant and machinery	892.87	197.83	2.42	1,088.28	153.96	122.24	0.04	276.16	122.24	0.04	812.12	738.91
Scaffolding items	831.47	66.23	-	897.70	228.33	140.46	-	368.79	140.46	-	528.91	603.14
Furniture and fixtures	27.12	8.21	-	35.33	9.26	6.11	-	15.37	6.11	-	19.96	17.86
Vehicles	64.88	25.14	5.39	84.63	29.94	10.61	3.39	37.16	10.61	3.39	47.47	34.94
Computers	80.51	28.24	0.06	108.69	40.59	20.88	0.02	61.45	20.88	0.02	47.24	39.92
Office equipments	32.53	8.33	-	40.86	8.62	4.22	-	12.84	4.22	-	28.02	23.91
	2,322.76	339.23	7.87	2,654.12	490.34	334.90	3.45	821.79	334.90	3.45	1,832.33	1,832.42
B. Intangible assets												
Capitalised software	10.96	46.20	-	57.16	4.49	15.50	-	19.99	15.50	-	37.17	6.47
	10.96	46.20	-	57.16	4.49	15.50	-	19.99	15.50	-	37.17	6.47
Total	2,333.72	385.43	7.87	2,711.28	494.83	350.40	3.45	841.78	350.40	3.45	1,869.50	1,838.89
Previous year	1,251.53	1,085.51	3.32	2,333.72	252.43	243.86	1.46	494.83	243.86	1.46		

1. On April 13, 2005, Karnataka Industrial Areas Development Board ('KIADB') allotted land to the Company on a lease cum sale basis until December 17, 2010, to be sold to the Company at the end of lease period upon fulfillment of certain conditions. The lease has been registered in favour of the Company. The Company is confident of fulfilling the conditions. Accordingly, the initial and subsequent lease payments in this regard have been capitalised as leasehold land.

2. Amount of borrowing cost aggregating Rs. 7.17 million (Previous year - Rs. Nil) incurred during the year, is included under capital work in progress.

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 6 - Investments		
Long term investments (Unquoted, at cost)		
A. Trade - In Subsidiary companies		
Nil (Previous year - 1,000) equity shares of Rs.100 each fully paid-up in S.B.G. Housing Private Limited	-	0.10
B. Trade - Investment in the capital of partnership firm		
Sobha City	200.00	-
Sobha City - Partner current account	66.38	-
C. Other than trade		
<i>Government securities</i>		
National savings certificates	0.08	0.08
<i>Equity shares</i>		
2,680,000 (Previous year - 2,680,000) equity shares of Rs.10 each fully paid-up in Sobha Renaissance and Information Technology Private Limited	26.80	26.80
Current Investments (At lower of cost and market value)		
Other than trade		
1,006 (Previous year - Nil) equity shares of Rs.10 each fully paid up in Tata Steel Limited	0.69	-
Nil (Previous year - 30,014,914) units in HSBC Cash Fund	-	300.31
Nil (Previous year - 19,908,506) units in Reliance Floating Rate Fund	-	200.38
	293.95	527.67
Aggregate amount of quoted investments [Market value Rs.0.69 million (Previous year - Rs.500.69 million)]	0.69	500.69
Aggregate amount of unquoted investments	26.88	26.88
Schedule 7 - Inventories (At lower of cost and net realisable value)		
Raw materials	254.73	216.66
Building materials	6.80	14.33
Work-in-progress	7,235.20	3,513.16
Stock in trade - Flats	356.08	18.74
Finished goods	25.76	15.06
	7,878.57	3,777.95
Schedule 8 - Sundry debtors (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	414.92	90.51
Other Debts	5,036.69	1,489.13
	5,451.61	1,579.64
Schedule 9 - Cash and bank balances		
Cash on hand	5.39	3.71
Balances with scheduled banks		
On current accounts	96.28	58.09
On deposit accounts	24.27	621.76
	125.94	683.56
[Including Rs.14.18 million (Previous year - Rs.156.65 million) held by banks under margin money deposit and Rs.18.72 million (Previous year - Rs.8.25 million) held towards loan escrow account]		

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 10 - Loans and advances (Unsecured, considered good)		
Advances and loans to subsidiaries	-	154.89
Advances recoverable in cash or kind or for value to be received		
Land advance*	16,248.00	9,761.40
Others	312.18	481.78
Inter-corporate deposit	76.19	55.27
Deposits - others	473.23	472.04
Advance income tax (net of provision)	80.27	80.11
Advance fringe benefits tax (net of provision)	1.29	0.21
Interest accrued but not due	-	0.07
Balances with customs, port trusts, sales tax and excise authorities	90.42	151.90
	17,281.58	11,157.67
* Advances/ deposit for land though unsecured, are considered good as the advances have been given based on arrangements/ memorandum of understanding executed by the Company and the Company/ seller/ intermediary is in the course of obtaining clear and marketable title, free from all encumbrances, including for certain properties under litigation.		
Schedule 11 - Current liabilities		
Sundry creditors for goods, services and expenses		
Due to micro and small enterprises	-	-
Others	808.06	913.69
Advance from customers	1,068.48	2,265.29
Interest accrued but not due on loans	433.52	97.28
Investor protection & education fund shall be credited for unclaimed dividends when due	0.40	-
Other liabilities	2,460.79	1,758.08
	4,771.25	5,034.34
Schedule 12 - Provisions		
Proposed dividend	474.00	405.60
Corporate dividend tax	81.00	68.93
Provision for compensated absences	56.49	37.26
Provision for gratuity	2.04	4.59
Provision - others	285.20	108.78
Provision for wealth tax (net of advance tax payments)	0.41	0.29
	899.14	625.45

Schedules to the Accounts

(Rs. in Million)

	Year ended March 31	
	2008	2007
Schedule 13 - Income from operations		
Income from property development	8,533.11	7,531.68
Income from contractual activity	3,886.99	3,033.49
Income from manufacturing	1,943.33	1,382.32
Share in profit of partnership firm (post tax)	66.38	-
	14,429.81	11,947.49
Schedule 14 - Other income		
Dividend from current investments (other than trade)	36.09	18.05
Foreign exchange fluctuation (net)	2.05	1.27
Profit on sale of fixed assets (net)	0.48	0.45
Miscellaneous income	14.68	9.07
	53.30	28.84
Schedule 15 - Cost of sales		
Land cost	3,900.26	1,831.97
Construction cost		
Civil works	4,361.30	3,520.02
Electrical works	685.76	486.68
Interiors and other miscellaneous works	1,322.97	945.77
	6,370.03	4,952.47
Raw material		
Opening stock	216.66	-
Add: Purchases	1,267.21	1,268.14
Less: Closing stock	(254.73)	(216.66)
	1,229.14	1,051.48
Production expenses		
Direct wages and labour charges	237.32	186.77
Power and fuel	26.07	23.05
Other direct expenses	24.29	25.80
	287.68	235.62
Decrease/ (increase) in inventories		
Closing inventory		
- Building materials	6.80	14.33
- Work-in-progress	7,235.20	3,513.16
- Stock in trade - Flats	356.08	18.74
- Finished goods	25.76	15.06
Opening inventory		
- Building materials	14.33	11.26
- Work-in-progress	3,513.16	2,522.85
- Stock in trade - Flats	18.74	4.78
- Finished goods	15.06	5.07
	(4,062.55)	(1,017.33)
	7,724.56	7,054.21

Schedules to the Accounts

(Rs. in Million)

	Year ended March 31	
	2008	2007
Schedule 16 - Personnel expenses		
Salaries and bonus	878.51	632.88
Gratuity	4.94	6.56
Compensated absence	27.32	19.93
Contribution to provident and other funds	66.87	41.35
Staff welfare and other expenses	47.09	33.83
	1,024.73	734.55
Schedule 17 - Operating and other expenses		
Electricity charges	56.04	29.90
Insurance charges	53.59	33.25
Rates and taxes		
Sales tax	755.53	720.63
Others	11.81	3.80
Freight outwards	43.20	28.67
Donation	99.76	128.84
Registration expenses - flats	240.97	159.51
Rent	135.92	94.13
Legal and professional charges	106.60	104.64
Repairs and maintenance		
Plant and machinery	7.40	7.74
Others	15.73	9.47
Advertisement and sales promotion expenses	143.48	49.64
Travelling and conveyance	97.41	67.40
Miscellaneous expenses	171.93	71.02
	1,939.37	1,508.64
Schedule 18 - Financial expenses		
Interest*		
- On term loans and debentures	377.59	412.96
- On bank loans	162.12	36.00
- Others	4.30	3.44
Bank charges	52.88	33.98
	596.89	486.38
* Net of :		
(a) Interest income of Rs.18.03 million (Previous year - Rs.29.64 million) [Tax deducted at source Rs.4.89 million, (Previous year - Rs.7.43 million).		
(b) Rs.897.02 million (Previous year - Rs.135.62 million) inventorised/ capitalised for qualifying assets and reimbursements.		

Schedules to the Accounts

Schedule 19: Notes to accounts

1. Background

Sobha Developers Limited ('Company' or 'SDL') was incorporated on August 7, 1995. SDL is a leading real estate developer engaged in the business of construction, development, sale, management and operation of all or any part of townships, housing projects, commercial premises and other related activities. The Company is also engaged in manufacturing activities related to interiors, glazing and metal works and concrete products which also provides backward integration to SDL's turnkey projects.

During 2007-08, the Company has entered into partnership with Tree Hill Estates Private Limited to set up M/s Sobha City, whereby it plans to do development of certain real estate projects.

The Company has sold its investment in the equity shares of its subsidiary, M/s S.B.G Housing Private Limited, pursuant to approval by the Board of Directors in the Board Meeting held on October 29, 2007. The equity shares, having a carrying value of Rs.0.1 million have been sold for a consideration of Rs.0.1 million.

2. Statement of significant accounting policies

a) Basis of preparation

The financial statements have been prepared to comply in all material respects in respects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant estimates used by the management in the preparation of these financial statements include computation of percentage completion for projects in progress, project cost, revenue and saleable area estimates, estimates of the economic useful lives of fixed assets, provisions for bad and doubtful debts. Any revision to accounting estimates is recognised prospectively.

c) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

d) Depreciation/ Amortisation

Depreciation on assets is provided using written down value method at the rates prescribed under schedule XIV of the Companies Act, 1956, which is also estimated by the management to be the estimated useful lives of the assets.

Steel scaffolding items are depreciated using straight line method over a period of 6 years, which is estimated to be the useful life of the asset.

Assets individually costing less than or equal to Rs.5,000 are fully depreciated in the year of purchase.

Leasehold land and leasehold improvements are amortised over the remaining primary period of lease or their estimated useful life, whichever is shorter, on a straight-line basis.

Intangible assets – Expenditure incurred on software is amortised over a period of 3 years, which is estimated to be the useful life of the asset.

e) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/ external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges and other initial direct costs are charged to profit and loss account.

g) Investment

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

h) Inventories

Related to contractual and real estate activity.

Direct expenditure relating to construction activity is inventorised. Indirect expenditure (including borrowing costs) during construction period is inventorised to the extent the expenditure is indirectly related to construction or is incidental thereto. Other indirect

expenditure (including borrowing costs) incurred during the construction period which is neither related to the construction activity nor is incidental thereto is charged to the profit and loss account. Cost incurred/ items purchased specifically for projects are taken as consumed as and when incurred/ received.

- i. Work-in-progress - Contractual: Cost of work yet to be certified/ billed, as it pertains to contract costs that relate to future activity on the contract, are recognized as contract work-in-progress provided it is probable that they will be recovered.
- ii. Work-in-progress - Real estate projects: Represents cost incurred in respect of unsold area of the real estate development projects or cost incurred on projects where the revenue is yet to be recognized.
- iii. Finished goods - Flats: Valued at lower of cost and net realisable value.
- iv. Finished goods - Plots: Valued at lower of cost and net realisable value.
- v. Building materials purchased, not identified with any specific project are valued at cost determined on a weighted average basis.

Related to manufacturing activity

- i. Raw materials are valued at lower of cost and net realisable value. Cost is determined based on a weighted average basis.
- ii. Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. However, inventory held for use in production of finished goods is not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

i) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income from operations (gross) is gross of sales tax/ value added tax and net of adjustment on account of cancellation/ returns.

i. Recognition of revenue from contractual projects

Revenue from fixed price contractual projects is recognized on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Company with its customers.

ii. Recognition of revenue from real estate projects

Revenue from real estate under development/ sale of developed property (excluding land) is recognized upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements, except for contracts where the Company still has obligations to perform substantial acts even after the transfer of all significant risks and rewards. In such cases, the revenue is recognized on percentage of completion method, when the stage of completion of each project reaches a significant level which is estimated to be atleast 25% of the total estimated construction cost of the project. Revenue is recognized in proportion that the contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs. Land costs are not included for the purpose of computing the percentage of completion.

Revenue from sale of undivided share of land [group housing] is recognized upon transfer of all significant risks and rewards of

ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements and when the stage of completion of each project reaches a significant level which is estimated to be atleast 25% of the total estimated construction cost of the project.

Revenue from sale of villa plots is recognized upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements.

Revenue from real estate projects is recognized when it is reasonably certain that the ultimate collection will be made and that there is buyers' commitment to make the complete payment.

Revenue from real estate projects include charges collected from clients towards registration, electricity and water charges, property taxes, khata charges and other charges, which are accounted based upon the contracts/ agreements entered into by the Company with its customers.

iii. Recognition of revenue from manufacturing division.

Revenue from sale of materials is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with dispatch of goods to the customers. Excise duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year. Service income is recognized on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Company with its customers.

iv. Dividend income

Revenue is recognized when the shareholders' or unit holders' right to receive payment is established. Dividend from subsidiaries is recognized even if it is declared after the balance sheet date but pertains to the period on or before the date of balance sheet.

v. Share in profits of partnership firm investments

The Company's share in profits from a firm where the Company is a partner, is recognized on the basis of such firm's audited annual accounts, as per terms of the partnership deed.

vi. Interest income

Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

j) Foreign Currency Translation

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. The premium or discount on forward exchange contracts is recognized in the profit and loss account over the period of the contract. Exchange differences on such contracts

are recognised in the statement of profit and loss in the year in which the exchange rates change. As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

k) Taxes

Tax expense comprises of current, deferred and fringe benefits tax. Current income tax and fringe benefits tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax assets to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

l) Retirement and Other Employee Benefits

Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the provident fund are due. There are no other obligations other than the contribution payable to the government administered provident fund.

The Company makes contributions to Sobha Developers Employees Gratuity Trust ('the trust') to discharge the gratuity liability to employees. Payments to the trust are charged to the profit and loss account in the year of payment. Provision towards gratuity is made for the difference between actuarial valuation by an independent actuary and the fund balance as at the year-end. The actuarial valuation is performed using the projected unit credit method.

Provision in respect of compensated absence is made based on the extent of leave credit available to the employees as at the year end. Short-term compensated absences are provided for on based on estimates. Long-term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/ losses are immediately taken to profit and loss account and are not deferred.

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the year for which the services are rendered by the employee.

m) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

n) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

o) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

p) Borrowing Costs

Borrowing costs relating to acquisition/ construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/ sale. All other borrowing costs not eligible for inventorisation/ capitalisation are charged to revenue.

q) Land

Advances paid by the Company to the seller/ intermediary toward outright purchase of land is recognised as land advance under loans and advances during the course of obtaining clear and marketable title, free from all encumbrances and transfer of legal title to the Company, whereupon it is transferred to work-in-progress.

Deposits paid by the Company to the seller towards right for development of land in exchange of constructed area are recognised as land advance under loans and advances, unless they are non-refundable, wherein they are transferred to work-in-progress on the launch of project.

The Company has entered into agreements with land owners/ possessor to develop properties on such land in lieu which, the Company has agreed to transfer certain percentage of constructed area. The development and transfer of constructed area in exchange of such development rights/ land is being accounted on a net basis and not separately disclosed in the financial statements.

3. Details of secured loans and securities offered

(Rs. in Million)

Details of securities offered	Year ended March 31	
	2008	2007
Debentures Secured by equitable mortgage of certain lands of the Company.	3,500.00	2,250.00
From banks <i>Term loans</i> Secured by equitable mortgage of land and building, receivables and inventory of specific real estate projects, lease hold rights in respect of the factory land and building and hypothecation of plant and machinery and inventory of specific real estate/ contractual projects.	8,734.53	3,091.16
<i>Cash credit and other facilities</i> Secured by hypothecation of receivables of specific real estate and contractual projects, equitable mortgage of land and building of specific real estate projects and hypothecation of stock of building materials.	2,076.51	21.91
<i>Vehicle/ equipment loan</i> Secured by specific assets / vehicles.	28.66	11.20
From others <i>Vehicle/ equipment loan</i> Secured by specific assets / vehicles.	41.18	78.00
	14,380.88	5,452.27

Note: All the above loans except to the extent of Rs.9,105 million (Previous year - Rs.136.71 million) have been personally guaranteed by two directors.

4. Details of collateral securities offered by group companies in respect of loans availed by the Company

(Rs. in Million)

Nature of Company	Nature of loan	Nature of security	Year ended March 31	
			2008	2007
Sobha Inncity Technopolis Private Limited	Term loans	Equitable mortgage of land and building	250.00	925.97
Sobha Inncity Technopolis Private Limited	Cash credit	Equitable mortgage of land and building	197.91	-
Sobha Technocity Private Limited	Cash credit	Equitable mortgage of land and building	197.91	454.67
Sobha Technocity Private Limited	Line of credit	Equitable mortgage of land and building	-	0.29
Sobha Interiors Private Limited	Term loans	Equitable mortgage of lease hold rights in respect of the factory land and building	170.00	215.00
Bikasa Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Bikasa Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	-
Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	475.00	-
Cochin Cyber Golden Properties Private Limited	Term loans	Equitable mortgage of land	475.00	-
Cochin Cyber Value Added Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	-
Daram Cyber Developers Private Limited	Term loans	Equitable mortgage of land	500.00	-
Daram Cyber Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Greater Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	500.00	-
Greater Cochin Developers Private Limited	Term loans	Equitable mortgage of land	500.00	-
Greater Cochin Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Greater Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	-
Padmalochana Enterprises Private Limited	Term loans	Equitable mortgage of land	500.00	-
Perambakkam Builders Private Limited	Term loans	Equitable mortgage of land	500.00	-
Red Lotus Realtors Private Limited	Term loans	Equitable mortgage of land	475.00	-
SBG Housing Private Limited	Term loans	Equitable mortgage of land	500.00	-
Sengadu Builders Private Limited	Term loans	Equitable mortgage of land	500.00	-

(Rs. in Million)

Nature of Company	Nature of loan	Nature of security	Year ended March 31,	
			2008	2007
Sengadu Developers Private Limited	Term loans	Equitable mortgage of land	500.00	-
Sengadu Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Sunbeam Projects Private Limited	Term loans	Equitable mortgage of land	475.00	-

5. Redeemable non-convertible debentures amounting to Rs.3,500 million (Previous year - Rs.2,250 million) are to be redeemed in cash on the following dates

(Rs. in Million)

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2008
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate - 9.90% Cap Rate - 10.00%	26-Aug-08	1,000.00
DSP Merrill Lynch Mutual Fund 25 certificates of Rs.10 million each	Rate - 11.90%	29-May-09	250.00
LIC Mutual Fund 50 certificates of Rs.10 million each	Floor rate - 10.15% Cap Rate - 10.25%	18-Nov-08 18- Dec-08	250.00 250.00
Deutsche Mutual Fund 100 certificates of Rs.10 million each	Rate - 11.55%	14-Oct-08	1,000.00
DSP Merrill Lynch Mutual Fund 75 certificates of Rs.10 million each	Rate - 11.10%	08-Jan-10	750.00

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2007
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate - 8.75% Cap Rate - 8.85%	19-Sep-07	1,000.00
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate- 8.75% Cap rate - 8.85%	29-Sep-07 31-Oct-07	500.00 500.00
LIC Mutual Fund 250 certificates of Rs.1 million each	Rate - 9.10%	09-Nov-07	250.00

6. Related Party Disclosure

a) List of related parties

Subsidiaries

Direct Subsidiaries

Sobha City
 SBG Housing Private Limited [sold pursuant to approval by the Board of Directors on October 29, 2007]

Subsidiaries of Sobha City

Vayaloor Properties Private Limited [from July 1, 2007]
 Vayaloor Builders Private Limited [from July 1, 2007]
 Vayaloor Developers Private Limited [from July 1, 2007]
 Vayaloor Real Estate Private Limited [from July 1, 2007]
 Vayaloor Realtors Private Limited [from July 1, 2007]
 Valasai Vettikadu Realtors Private Limited [from July 1, 2007]

Key Management Personnel

Mr. P.N.C. Menon
 Mr. Ravi Menon
 Mr. J.C. Sharma
 Mr. P. Kanodia
 Mr. K. Suresh
 Mrs. Sobha Menon
 Lt. Gen. (Retd.) Mathew Mammen

Relatives of Key Management Personnel

Mr. Shine V. Nair
 Mr. P.N. Haridas
 Mr. P.N.K. Mani

Other Related Parties [Enterprise owned or significantly influenced by key management personnel]

Sobha Projects & Trade Private Limited
 Sobha Renaissance Information Technology Private Limited
 Sobha Innerscity Technopolis Private Limited
 Hill and Menon Securities Private Limited
 Sobha Electro Mechanical Private Limited
 Chauma Properties and Construction Private Limited
 Sri Kurumba Trust
 Sobha Interiors Private Limited
 Sobha Nadattur Aerospace Private Limited
 Puzhakkal Developers Private Limited
 Moolamcode Traders Private Limited
 Pallavur Projects Private Limited
 Sobha Jewellery Private Limited
 Lotus Manpower Consultants Services Private Limited
 Sobha Contracting Private Limited
 Red Lotus Facility Services Private Limited
 Greater Cochin Properties Private Limited
 Greater Cochin Realtors Private Limited
 Greater Cochin Cyber City Private Limited
 Greater Cochin Developers Private Limited
 Cochin Cyber City Private Limited
 Cochin Super City Developers Private Limited
 Daram Cyber Properties Private Limited
 Daram Land Real Estate Private Limited
 Daram Cyber Developers Private Limited
 Services and Trading Co. LLC
 Technobuild Developers Private Limited
 Royal Interiors Private Limited
 Oman Builders Private Limited
 Sobha Glazing & Metal Works Private Limited
 Lotus Manpower Services

Sobha Space Private Limited
 Sobha Technocity Private Limited
 M/s Indeset Building Materials LLC
 M/s Indeset Trading and Decorations Services LLC
 Furniture Makers Limited Company LLC
 Bikasa Properties Private Limited
 Bikasa Realtors Private Limited
 Cochin Cyber Golden Properties Private Limited
 Cochin Cyber Value Added Properties Private Limited
 Padmalochana Enterprises Private Limited
 Perambakkam Builders Private Limited
 Red Lotus Realtors Private Limited
 Sengadu Builders Private Limited
 Sengadu Developers Private Limited
 Sengadu Properties Private Limited
 Sunbeam Projects Private Limited

b) Transactions with related parties

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2008	March 31, 2007
Sale of goods and services	Subsidiary	Sobha City	125.22	-
	Other related parties	Sri Kurumba Trust	10.11	43.94
		Oman Builders Private Limited	-	9.07
		Sobha Glazing & Metal Works Private Limited	0.40	-
		Furniture Makers Limited Company, LLC	0.15	-
		Sobha Inncity Technopolis Private Limited	-	0.78
Key management personnel	Mrs. Sobha Menon	19.73	31.57	
	Mr. P.N.C. Menon	0.30	0.04	
	Mr. J.C. Sharma	13.36	6.20	
Interest recharge	Other related parties	Technobuild Developers Private Limited	556.59	135.62
Interest received	Other related parties	Sobha Renaissance Information Technology Private Limited	7.89	5.78
Purchase of goods and contractual services	Other related parties	Sobha Projects & Trade Private Limited	68.87	31.02
		Sobha Interiors Private Limited	-	233.19
		Sobha Glazing & Metal Works Private Limited	-	169.06
		Sobha Space Private Limited	-	30.60
		Lotus Manpower Services	540.58	337.31
	Sobha Renaissance Information Technology Private Limited	0.17	18.77	
Key management personnel	Mr. P.N.K. Mani	0.38	1.68	
	Share in profits of partnerships	Subsidiary	Sobha City	66.38
Capital contribution	Subsidiary	Sobha City	200.00	-
Directors' remuneration	Key management personnel	Mr. J.C. Sharma	58.41	41.56
		Lt. Gen. (Retd.) Mathew Mammen	-	0.41
		Mr. Ravi Menon	20.87	20.87
		Mr. P.N.C. Menon	32.59	32.56
Salary (including perquisites)	Key management personnel	Mr. K. Suresh	3.61	2.06
		Mr. P. Kanodia	3.36	2.19
	Relatives of key management personnel	Mr. P.N. Haridas	0.69	-
		Mr. Shine V. Nair	10.00	-
Purchase of fixed assets	Other related parties	Sobha Interiors Private Limited	-	62.70
		Sobha Glazing & Metal Works Private Limited	-	25.72
		Sobha Space Private Limited	-	45.62
Interest paid	Key management personnel	Mrs. Sobha Menon	0.54	0.90
		Mr. P.N.C. Menon	-	0.05
Donation paid	Other related parties	Sri Kurumba Trust	84.01	122.20

Contd.

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2008	March 31, 2007
Rent deposit paid	Other related parties	Sobha Glazing & Metal Works Private Limited	110.00	110.00
		Sobha Interiors Private Limited	280.00	280.00
Rent paid	Other related parties	Sobha Interiors Private Limited	0.30	0.78
		Sri Kurumba Trust	0.06	-
		Sobha Glazing & Metal Works Private Limited	0.30	0.78
	Key management personnel	Mrs. Sobha Menon	0.67	0.67
Loan given	Other related parties	Sobha Renaissance Information Technology Private Limited	-	41.50
Balance receivable	Subsidiary	SBG Housing Private Limited	165.41	154.89
		Sobha City - Partner current account	66.38	-
		Sobha City	59.37	-
	Other related parties	Sobha Projects & Trade Private Limited	10.06	12.94
		Sobha Renaissance Information Technology Private Limited	75.25	55.27
		Hill and Menon Securities Private Limited	0.14	0.10
		Sobha Electro Mechanical Private Limited	0.14	0.14
		Sobha Aviation And Engineering Services Private Limited	0.76	0.03
		Chauma Properties and Construction Private Limited	8.81	8.81
		Sobha Nadattur Aerospace Private Limited	0.03	0.03
		Puzhakkal Developers Private Limited	11.59	3.13
		Pallavur Projects Private Limited	47.42	-
		Sobha Jewellery Private Limited	0.42	-
		Lotus Manpower Consultants Services Private Limited	0.06	-
		Lotus Manpower Services	39.05	(9.70)
		Sobha Contracting Private Limited	8.09	-
		Services and Trading Co. LLC	7.07	-
		Furniture Makers Limited Company, LLC	0.15	-
		Technobuild Developers Private Limited	5,416.57	3,306.29
Balance payable	Other related parties	Royal Interiors Private Limited	10.17	10.17
		Sobha Interiors Private Limited	1.66	3.94
		Oman Builders Private Limited	28.07	41.48
		Sobha Glazing & Metal Works Private Limited	5.67	12.47
		Sri Kurumba Trust	0.05	-
		Sobha Innercity Technopolis Private Limited	2.63	(0.77)
		Sobha Technocity Private Limited	0.25	1.24
		Sobha Space Private Limited	4.09	-
	Key management personnel	Mr. P.N.C. Menon	0.08	0.09
		Mr. J.C. Sharma	15.38	0.42
		Mrs. Sobha Menon	8.68	8.99
	Relatives of key management personnel	Mr. Shine V. Nair	-	-
		Mr. P.N.K. Mani	0.03	0.03

*Also, refer note 4 (Schedule 19) as regards collateral securities offered by group companies in respect of loans availed by the Company

7. Earnings per share ['EPS']

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Profit after tax attributable to shareholders	2,283.01	1,609.74
Weighted average number of equity shares of Rs.10 each outstanding during the year used in calculating basic and diluted EPS	72,902,000	66,353,669

8. Lease

a. Assets taken on lease

Operating lease obligations: The Company has taken office, other facilities and other equipments under cancelable and non-cancelable operating leases, which are renewable on a periodic basis.

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Lease payments recognised as an expense in profit and loss account	135.92	94.13

Minimum lease payments outstanding in respect of these lease are as follows:-

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Not later than one year	31.38	19.69
Later than one year and not later than five years	44.39	29.09
	75.77	48.78

9. Capital Commitments

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	40.94	18.27

10. Donation to political parties

(Rs. in Million)

Name of the party	March 31, 2008	March 31, 2007
Congress (I)	0.51	0.10
Bhartiya Janata Party	0.51	-
Communist Party of India	0.63	0.50
Others	1.07	0.02
	2.72	0.62

11. Provisions and contingencies

a. Provisions

(Rs. in Million)

Class of provisions	Balance as at April 1, 2007	Additions	Amount utilised	Balance as at March 31, 2008
Provision - others	108.78	285.20	108.78	285.20

Nature of provisions: The Company provides for warranties and expected cost for completed projects, based on technical evaluation and past experience of meeting such obligations.

b. Contingent liabilities not provided for:

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
i. Guarantees and counter guarantees given by the Company	276.62	152.83
ii. Income tax matters in dispute	45.84	47.60
iii. Sales tax matters in dispute	81.37	20.18
iv. Service tax matters in dispute	648.76	-
	1,052.59	220.61

Note:

The Company is also involved in certain litigation for lands acquired by it for construction purposes, either through joint development agreements or through outright purchases. These cases are pending with various courts and are scheduled for hearings. After considering the circumstances and legal advice received, management believes that these cases will not adversely effect its financial statements.

12. Employee benefits

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for gratuity benefit

Profit and loss account

Net employee benefit expense (recognised in personnel cost)

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Current service cost	11.59	8.07
Interest cost on benefit obligation	2.40	1.66
Expected return on plan assets	(1.71)	(1.08)
Net actuarial loss/ (gain) recognised	(7.34)	(2.09)
Net benefit expense	4.94	6.56

Balance Sheet

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Defined benefit obligation	25.08	18.77
Fair value of plan assets	23.04	14.18
Plan (asset)/liability	2.04	4.59
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	18.77	10.48
Interest cost	2.40	1.66
Current service cost	11.59	8.07
Benefits paid	(0.70)	(0.89)
Actuarial (gains)/losses on obligation	(6.98)	(0.55)
Closing defined benefit obligation	25.08	18.77
Changes in the fair value of plan assets		
Opening fair value of plan assets	14.18	13.50
Expected return	1.71	1.08
Contributions by employer	7.50	-
Benefits paid	(0.71)	(1.94)
Actuarial gains / (losses)	0.36	1.54
Closing fair value of plan assets	23.04	14.18
Actual return on plan assets		
Expected return on plan assets	1.71	1.08
Actuarial gain/ (loss) on plan assets	0.36	1.54
Actual return on plan assets	2.07	2.62
Investment details of plan assets		
Investment with insurer - 100% in debt instruments		
The principal assumptions used in determining gratuity obligation		
Discount rate	8%	8%
Expected rate of return on assets	8%	8%
The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.		
Increase in compensation cost	10%	10%

Notes:

- i. The Company expects to contribute Rs.10 million to the trust towards gratuity fund in 2008-09.
- ii. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other several factor such as supply and demand factor in the employment market. Employee turnover varies based on various age groups.

13. Segment reporting

As the Company's business activity primarily falls within a single business segment which constitutes real estate development, there are no additional disclosures to be provided under Accounting Standard 17 'Segment Reporting'. The Company operates primarily in India and there is no other significant geographical segment.

14. Details of utilisation of net IPO proceeds

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Net IPO proceeds during 2006-07	5,374	5,374
Utilisation		
Towards land acquisition	2,569	2,672
Development and construction of projects	1,218	154
Repayment of loans	1,587	1,587
Unutilized funds invested in mutual funds and fixed deposits	-	961
	5,374	5,374

15. Amounts due from companies under the same management as defined in sub-section (1-B) of Section 370 of the Companies Act, 1956, are as under:

(Rs. in Million)

Particulars	March 31, 2008		March 31, 2007	
	Closing balance	Maximum amount due	Closing balance	Maximum amount due
Included under loans and advances				
Sobha Projects & Trade Private Limited	10.06	23.15	12.94	14.78
Sobha Renaissance Information Technology Private Limited	75.25	75.25	55.27	70.71
Hill and Menon Securities Private Limited	0.14	0.14	0.10	0.10
Sobha Electro Mechanical Private Limited	0.14	0.14	0.14	0.14
Sobha Aviation And Engineering Services Private Limited	0.76	0.76	0.03	0.03
Chauma Properties and Construction Private Limited	8.81	8.81	8.81	8.81
Sobha Nadattur Aerospace Private Limited	0.03	0.03	0.03	0.03
Puzhakkal Developers Private Limited	11.59	11.59	3.13	3.13
Pallavur Projects Private Limited	47.42	47.42	-	-
Sobha Jewellery Private Limited	0.42	0.42	-	-
Lotus Manpower Consultants Services Private Limited	0.06	0.07	-	-
Sobha Contracting Private Limited	8.09	8.09	-	-
Services and Trading Co. LLC	7.07	7.07	-	-
Technobuild Developers Private Limited	5,416.57	5,416.57	3,306.29	3,306.29
SBG Housing Private Limited	165.41	165.41	154.89	154.89
Lotus Manpower Services	39.05	83.88	-	-
Sobha Inncity Technopolis Private Limited	-	-	0.77	0.77
Included under debtors				
Furniture Makers Limited Company, LLC	0.15	0.15	-	-
Sobha City	59.37	59.37	-	-

16. Deferred tax

The break up of net deferred tax asset/ (liabilities) as at March 31, 2008 is as follows:

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Difference between book depreciation and depreciation under the Income-tax Act, 1961	(8.84)	(34.87)
Expenditure under Section 43B of the Income-tax Act, 1961	19.53	12.54
Net deferred tax asset/(liability)	10.69	(22.33)

17. Supplementary statutory information

a. Managerial Remuneration

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Directors' remuneration		
Chairman		
Salary and allowances	28.80	28.80
Perquisites	1.63	1.60
Contribution to provident fund	2.16	2.16
	32.59	32.56
Managing Director		
Salary and allowances	5.05	3.93
Contribution to provident fund	0.36	0.23
Commission/Others	53.00	37.40
	58.41	41.56
Whole time directors		
Salary	19.20	19.60
Perquisites	0.23	0.22
Contribution to provident fund	1.44	1.46
	20.87	21.28
Other directors		
Sitting fees	0.23	0.18
Commission/Others	2.70	3.60
	2.93	3.78
Grand total	114.80	99.18

Note: As the future liability for gratuity and compensated absence is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

b. Computation of net profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Profit before tax as per profit and loss account	2,708.79	1,865.85
Add:		
Directors' remuneration	114.80	99.18
Depreciation	350.40	243.86
Less:		
Depreciation under section 350 of the Companies Act, 1956	(350.40)	(243.86)
Profit on sale of fixed assets (net)	(0.48)	(0.45)
Net profit as per section 349	2,823.11	1,964.58
Permissible commission to Managing Director - 2%	56.46	39.29
Commission paid or to be paid to Managing Director	53.00	37.40
Permissible commission to independent directors - 1%	28.23	19.65
Commission paid or to be paid to independent directors	2.70	3.60

c. Earnings in foreign currency [on accrual basis]

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Export on F.O.B. basis*	0.15	0.48
	0.15	0.48

* Does not include goods supplied/ services rendered locally against foreign exchange remittances

d. Expenditure in foreign currency [on accrual basis]

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Travelling and conveyance	1.30	12.40
Legal and professional charges	15.24	46.74
Others	1.77	-
	18.31	59.14

e. Value of imports calculated on CIF basis

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Materials (including building materials, stores, components and spares)	102.34	113.24
Capital goods	56.01	83.93
	158.35	197.17

f. Amount remitted in foreign currency on account of dividend

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Period to which it relates	-	2005-06
Number of equity shares held on which dividend was paid	-	-
Number of preference shares held on which dividend was paid	-	872,843
Number of non-resident preference shareholders	-	One
Amount remitted	-	6.11

18. Auditors' remuneration included under Legal and professional charges*

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
- Statutory audit	2.25	1.00
- Tax audit	-	0.10
- Other services [includes fees for quarterly reviews]	1.85	-
- IPO related matters	-	0.80
- Out of pocket expenses (excluding service tax)	0.08	0.14
	4.18	2.04

* Includes Rs.0.35 million (Previous year - Rs.2.04 million) paid to erstwhile auditor

19. Construction Contracts

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Contract revenue recognized as revenue for the year ended March 31, 2008	10,075.10	8,661.13
Aggregate amount of contract costs incurred and recognized profits (less recognized losses) up to March 31, 2008 for all the contracts in progress	6,565.01	11,171.63
The amount of customer advances outstanding for contracts in progress as at March 31, 2008	1,061.76	1,812.28
The amount of retentions due from customers for contracts in progress as at March 31, 2008	237.41	23.40

20. In respect of manufacturing activities of interiors, glazing and block making unit, on account of the nature of the business carried on by the Company, the management is of the view that it is not practicable to give quantitative information.

21. Derivative instruments

(Rs. in Million)

Particulars	March 31, 2008
Forward cover for foreign currency deominated bank loan	580.00
Foreign currency exposure (net) that are not hedged by derivative instruments or otherwise	6.00

22. Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as at March 31, 2008.

23. Details of investments made in the capital of M/s Sobha City (a Partnership Firm) as at March 31, 2008, is summarised below:

(Rs. in Million)

Name of the partner	Partner's Capital	Profit Sharing Ratio [%]
Sobha Developers Limited	200.00	70.00
Tree Hill Estates Private Limited	200.00	30.00
	400.00	100.00

24. Details of investments sold and purchased during the year

(Rs. in Million)

Particulars	No.of units [in million]	Face value	Purchase value	Sale value
ABN AMRO Money Plus Fund	30.13	10	301.35	301.35
Birla Cash Plus	20.14	10	210.53	210.53
Birla Sunlife Liquid Plus	35.02	10	350.49	350.49
DBS Chola Short Term Floating Fund	10.02	10	100.18	100.18
DWS Credit Opportunities Cash Fund	20.04	10	201.07	201.07
DWS Insta Cash Plus Fund	15.00	10	150.16	150.16
Franklin Templeton India TMA Fund	20.01	10	200.29	200.29
Franklin Templeton TMA Mutual Fund	30.06	10	300.88	300.88
HDFC Cash Management Fund	24.01	10	250.37	250.37
HSBC Cash Fund	153.00	10	1,538.07	1,538.07
ICICI Prudential - Flexible Income Plan	28.47	10	301.08	301.08
ICICI Prudential Liquid Fund	20.12	10	201.16	201.16
ING Vysya Liquid Fund	32.75	10	327.63	327.63
J.M. High Liquidity Fund	10.01	10	100.19	100.19
LIC Mutual Fund - Liquid Fund	141.30	10	1,453.20	1,453.20
Lotus India Liquid Fund	25.03	10	250.65	250.65
Principal Cash Management Fund	20.19	10	201.94	201.94
Reliance Floating Rate Fund	9.99	10	100.55	100.55
Reliance Liquid Fund	20.07	10	200.78	200.78
Reliance Liquid Plus Fund	0.15	10	150.53	150.53
Reliance Liquidity Fund	5.00	10	50.05	50.05
Sundaram BNP Parabis Money Fund	45.09	10	451.26	451.26
Sundaram BNP Paribas Money Fund	50.33	10	503.78	503.78
Tata Liquid Fund	19.94	10	200.13	200.13
Tata Liquid Super High Investment Fund	20.01	10	200.83	200.83
Templeton Long Term Super IP Fund	25.13	10	251.91	251.91
ACC Limited	0.00	10	2.05	2.05

25. In accordance with ASI 14 (Revised) on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs.138.37 million (Previous year - Rs.82.84 million) has been reduced from Income from operations in profit and loss account and excise duty on increase in inventory of finished goods amounting to Rs. 1.90 million (Previous Year - Rs. 1.20 million) has been accounted in the profit and loss account under the head 'Cost of sales'.

26. The financial statements of earlier year including and upto the year ended March 31, 2007 were audited by other firm of Chartered Accountants. The figures of previous year have been regrouped/reclassified, where necessary, to conform with the current year's classification.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors
of Sobha Developers Limited

per Sunil Bhumralkar
Partner
Membership No. 35141

P.N.C. Menon
Chairman

Ravi Menon
Vice Chairman

J.C. Sharma
Managing Director

P. Kanodia
Chief Financial Officer

K. Suresh
Company Secretary and
Compliance Officer

Place: Nice, France
Date: May 30, 2008

Place: Bangalore, India
Date: May 30, 2008

Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2008	2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	2,708.79	1,865.85
<i>Adjustments for</i>		
Share in profits of partnership firm	(66.38)	-
Depreciation/ amortisation	350.40	243.86
(Profit)/loss on sale of fixed assets	(0.48)	(0.45)
Dividend income	(36.09)	(18.05)
Interest income	(18.03)	(29.64)
Interest expense	562.04	482.05
Operating profit before working capital changes	3,500.25	2,543.62
<i>Movements in working capital:</i>		
(Increase)/ decrease in inventories	(3,203.60)	(1,098.37)
(Increase)/ decrease in debtors	(3,871.97)	(776.67)
(Increase)/ decrease in loans and advances	(6,122.74)	(5,752.20)
Increase/ (decrease) in current liabilities and provisions	(406.63)	522.41
Cash (used in)/ generated from operations	(10,104.69)	(4,561.21)
Taxes paid (net)	(459.91)	(307.22)
Net cash (used in)/ generated from operating activities - (A)	(10,564.60)	(4,868.43)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(548.98)	(1,173.33)
Proceeds from sale of fixed assets	4.90	2.31
Purchase of investments	(8,551.80)	(5,618.05)
Purchase of investments in subsidiaries [net]	(200.00)	-
Sale of investments	9,051.80	5,117.35
Sale of investments in subsidiaries	0.10	-
Interest received	18.10	31.17
Dividends received	36.09	18.05
Net cash (used in)/ from investing activities - (B)	(189.79)	(1,622.50)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	6,053.98
Buy-back of preference shares	-	(87.29)
Proceeds from secured loans	15,720.60	6899.78
Repayment of secured loans	(6,792.00)	(5,655.60)
Proceeds from unsecured loans	2,895.12	380.62
Repayment of unsecured loans	(30.00)	(19.12)
Share issue expenses	-	(320.21)
Interest paid (gross)	(1,122.82)	(520.42)
Dividends paid	(405.20)	(5.92)
Tax on dividend paid	(68.93)	(1.01)
Net cash from/ (used in) financing activities - (C)	10,196.77	6,724.81
Net increase/ (decrease) in cash or cash equivalents - (A+B+C)	(557.62)	233.88
Cash and cash equivalents as at beginning of the year	683.56	449.68
Cash and cash equivalents as at the end of the year	125.94	683.56

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountantsper Sunil Bhumralkar
Partner
Membership No. 35141Place: Nice, France
Date: May 30, 2008For and on behalf of the Board of Directors of
Sobha Developers LimitedP.N.C. Menon
Chairman
P. Kanodia
Chief Financial Officer
Ravi Menon
Vice Chairman
K. Suresh
Company Secretary and
Compliance OfficerPlace: Bangalore, India
Date: May 30, 2008J.C. Sharma
Managing Director

Balance Sheet Abstract and the Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 8 4 7 5	State Code	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 0 8
Balance Sheet date	<input type="text"/> <input type="text"/> <input type="text"/> 3 1 0 3 0 8		

II. CAPITAL RAISED DURING THE YEAR

(Rs. in Million)

Public Issue :	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Right Issue :	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Bonus Issue :	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Private Placement:	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities	<input type="text"/> <input type="text"/> 2 7 5 1 3 . 9 4	Total Assets	<input type="text"/> <input type="text"/> 2 7 5 1 3 . 9 4
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SOURCES OF FUNDS

Paid up capital	<input type="text"/> <input type="text"/> <input type="text"/> 7 2 9 . 0 2	Reserves and surplus	<input type="text"/> <input type="text"/> 9 1 5 4 . 4 2
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Secured Loans	<input type="text"/> <input type="text"/> 1 4 3 8 0 . 8 8	Unsecured Loans	<input type="text"/> <input type="text"/> 3 2 4 9 . 6 2
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APPLICATION OF FUNDS

Net fixed assets including Capital Work in Progress	<input type="text"/> <input type="text"/> 2 1 4 1 . 9 9	Investments	<input type="text"/> <input type="text"/> 2 9 3 . 9 5
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Net Current Assets	<input type="text"/> <input type="text"/> 2 5 0 6 7 . 3 1	Deferred tax assets	<input type="text"/> <input type="text"/> 1 0 . 6 9
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Accumulated loss	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
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IV. PERFORMANCE OF THE COMPANY

Turnover	<input type="text"/> <input type="text"/> 1 4 3 4 4 . 7 4	Total Expenditure	<input type="text"/> <input type="text"/> 1 1 6 3 5 . 9 5
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Profit before tax	<input type="text"/> <input type="text"/> 2 7 0 8 . 7 9	Profit after tax	<input type="text"/> <input type="text"/> 2 2 8 3 . 0 1
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Earnings per share (In Rs.)	<input type="text"/> <input type="text"/> <input type="text"/> 3 1 . 3 2	Dividend rate	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 6 5 %
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V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

1. Housing and Real Estate Development
2. NIL
3. NIL

Item Code No. (ITC Code)

1. NIL
2. NIL
3. NIL

For and on behalf of the Board of Directors of
Sobha Developers Limited

P.N.C. Menon
Chairman

Ravi Menon
Vice Chairman

J.C. Sharma
Managing Director

Place: Bangalore, India
Date: May 30, 2008

P. Kanodia
Chief Financial Officer

K. Suresh
Company Secretary and
Compliance Officer

Consolidated Financial Statements

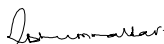
Auditors' Report

To

The Board of Directors of Sobha Developers Limited

1. We have audited the attached consolidated balance sheet of Sobha Developers Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'), as at March 31, 2008, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.900.56 million as at March 31, 2008, the total revenues (including other income) of Rs.811.41 million, total expenditure of Rs.645.47 million and net cash flows amounting to Rs.160.76 million for the year/ period then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards 21, 'Consolidated financial statements', issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports, of other auditors on separate financial statements and on the other financial information of the subsidiaries, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2008;
 - b. in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - c. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants



per Sunil Bhumralkar
Partner
Membership No. 35141

Nice, France
May 30, 2008

Consolidated Balance Sheet

(Rs. in Million)

	Balance as at March 31		
	Schedules	2008	2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	729.02	729.02
Reserves and surplus	2	9,152.43	7,426.37
Minority interest	19(22)	227.74	-
		10,109.19	8,155.39
Loan funds			
Secured loans	3	14,380.88	5,452.27
Unsecured loans	4	3,449.62	384.50
		17,830.50	5,836.77
Deferred tax liabilities (net)	19(16)	-	22.33
		27,939.69	14,014.49
APPLICATION OF FUNDS			
Fixed assets	5		
Gross block		2,711.28	2,333.72
Less: Accumulated depreciation/ amortisation		841.78	494.83
Net block		1,869.50	1,838.89
Capital work in progress including capital advances		272.49	108.94
		2,141.99	1,947.83
Investments	6	27.57	527.57
Deferred tax asset (net)	19(16)	10.69	-
Current assets, loans and advances			
Inventories	7	8,393.24	3,907.62
Sundry debtors	8	5,548.10	1,579.64
Cash and bank balances	9	286.63	683.79
Loans and advances	10	17,277.06	11,027.78
		31,505.03	17,198.83
Less: Current liabilities and provisions			
Current liabilities	11	4,846.45	5,034.32
Provisions	12	899.14	625.45
		5,745.59	5,659.77
Net current assets		25,759.44	11,539.06
Miscellaneous expenditure [Preliminary expenses to the extent not written off or adjusted]		-	0.03
		27,939.69	14,014.49
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Nice, France
Date: May 30, 2008

For and on behalf of the Board of Directors of
Sobha Developers Limited

P.N.C. Menon
Chairman

P. Kanodia
Chief Financial Officer

Place: Bangalore, India
Date: May 30, 2008

Ravi Menon
Vice Chairman

K. Suresh
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Consolidated Profit and Loss Account

(Rs. in Million)

	Year ended March 31		
	Schedules	2008	2007
INCOME			
Income from operations	13	14,449.10	11,947.49
Less : Excise duty		138.37	82.84
Income from operations (net)		14,310.73	11,864.65
Other income	14	53.30	28.84
		14,364.03	11,893.49
EXPENDITURE			
Cost of sales	15	7,642.34	7,054.21
Personnel expenses	16	1,024.73	734.55
Operating and other expenses	17	1,940.58	1,508.66
Depreciation/ amortisation	5	350.40	243.86
Financial expenses	18	614.55	486.38
		11,572.60	10,027.66
Profit before tax and minority interest		2,791.43	1,865.83
Provision for tax:			
Current tax		509.89	240.07
Deferred tax charge/ (credit)		(33.02)	5.61
Wealth tax		0.30	0.20
Fringe benefits tax		5.50	4.80
Profit after tax		2,308.76	1,615.15
Minority interest		27.74	-
Profit after tax and minority interest		2,281.02	1,615.15
Appropriations			
Dividend on preference shares		-	4.64
Proposed final dividend		474.00	400.96
Corporate dividend tax - Preference and Equity		81.00	68.93
Transfer to debenture redemption reserve		309.00	-
Transfer to capital redemption reserve		-	87.29
Transfer to general reserve		250.00	200.00
Surplus carried to balance sheet		1,167.02	853.33
Earnings per share in Rs. [Nominal value per equity share Rs.10]			
Basic and Diluted	19 (7)	31.29	24.26
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the consolidated profit and loss account.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Nice, France
Date: May 30, 2008

For and on behalf of the Board of Directors of
Sobha Developers Limited

P.N.C. Menon
Chairman

P. Kanodia
Chief Financial Officer

Place: Bangalore, India
Date: May 30, 2008

Ravi Menon
Vice Chairman

K. Suresh
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 1 - Share capital		
Authorised		
80,000,000 (Previous year - 80,000,000) equity shares of Rs.10 each	800.00	800.00
12,000,000 (Previous year - 1,000,000) 7% redeemable preference shares of Rs.100 each	1200.00	100.00
	2000.00	900.00
Issued, Subscribed and Paid-up		
72,901,733 (Previous year - 72,901,733) equity shares of Rs.10 each fully paid up	729.02	729.02
Of the above:		
a) 42,280,960 (Previous year - 42,280,960) equity shares of Rs.10 each, were allotted as fully paid-up bonus shares by capitalisation of reserves		
b) 583,468 (Previous year - 583,468) equity shares of Rs.10 each, were issued as fully paid-up shares by pre initial public offering ['IPO'] placement		
c) 8,896,825 (Previous year - 8,896,825) equity shares of Rs.10 each, were issued as fully paid-up shares by IPO		
	729.02	729.02
Schedule 2 - Reserves and surplus		
Capital redemption reserve		
Balance as per last account	87.29	-
Add: Transfer from profit and loss account towards preference share capital redemption	-	87.29
	87.29	87.29
Securities premium account		
Balance as per last account	5,638.95	-
On allotment of -		
a) 583,468 equity shares by pre IPO placement	-	354.16
b) 8,896,825 equity shares by IPO	-	5,605.00
	5,638.95	5,959.16
Less: Share issue expenses	-	320.21
	5,638.95	5,638.95
Debenture redemption reserve		
Balance as per last account	-	-
Add: Transfer from profit and loss account	309.00	-
	309.00	-
General reserve		
Balance as per last account	450.44	250.44
Add: Transfer from profit and loss account	250.00	200.00
	700.44	450.44
Profit and loss account		
Balance as per last account	1,249.73	819.16
Add: Transfer from profit and loss account	1,167.02	853.33
Less: Utilised for issue of fully paid-up bonus shares	-	(422.80)
	2,416.75	1,249.69
	9,152.43	7,426.37

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 3 - Secured loans		
[Refer note 3 of notes to accounts for securities offered]		
Debtentures	3,500.00	2,250.00
Term loans	8,734.53	3,091.16
Loans and advances from banks		
Cash credit and other facilities	2,076.51	21.91
Vehicle/ equipment loan	28.66	11.20
Other loans and advances	41.18	78.00
	14,380.88	5,452.27
Schedule 4 - Unsecured loans		
Commercial paper (Short-term)	1,892.49	-
[Maximum amount raised at any time during the year Rs.2,000 million (Previous year - Rs.Nil)]		
Other loans and advances		
From banks	1,000.00	-
[Due within one year Rs.1,000 million (Previous year - Rs.Nil)]		
From others	552.63	380.00
[Due within one year Rs.60 million (Previous year - Rs.30 million)]		
From directors	4.50	4.50
[Due within one year Rs.Nil (Previous year - Rs.Nil)]		
	3,449.62	384.50

Schedules to the Consolidated Accounts

(Rs. in Million)

Description	Gross block						Depreciation / amortisation				Net block	
	As at April 01, 2007	Additions	Deletions	As at March 31, 2008	As at April 01, 2007	For the year	Deletions	As at March 31, 2008	As at March 31, 2008	As at March 31, 2007	As at March 31, 2007	
A. Tangible assets												
Freehold land	39.87	-	-	39.87	-	-	-	-	-	39.87	39.87	
Leasehold land	26.49	-	-	26.49	-	-	-	-	-	26.49	26.49	
Factory buildings	327.02	-	-	327.02	19.64	30.16	49.80	49.80	277.22	307.38	307.38	
Other buildings	-	5.25	-	5.25	-	0.22	0.22	0.22	5.03	-	-	
Plant and machinery	892.87	197.83	2.42	1,088.28	153.96	122.24	0.04	276.16	812.12	738.91	738.91	
Scaffolding items	831.47	66.23	-	897.70	228.33	140.46	-	368.79	528.91	603.14	603.14	
Furniture and fixtures	27.12	8.21	-	35.33	9.26	6.11	-	15.37	19.96	17.86	17.86	
Vehicles	64.88	25.14	5.39	84.63	29.94	10.61	3.39	37.16	47.47	34.94	34.94	
Computers	80.51	28.24	0.06	108.69	40.59	20.88	0.02	61.45	47.24	39.92	39.92	
Office equipments	32.53	8.33	-	40.86	8.62	4.22	-	12.84	28.02	23.91	23.91	
	2,322.76	339.23	7.87	2,654.12	490.34	334.90	3.45	821.79	1,832.33	1,832.42	1,832.42	
B. Intangible assets												
Capitalised software	10.96	46.20	-	57.16	4.49	15.50	-	19.99	37.17	6.47	6.47	
	10.96	46.20	-	57.16	4.49	15.50	-	19.99	37.17	6.47	6.47	
Total	2,333.72	385.43	7.87	2,711.28	494.83	350.40	3.45	841.78	1,869.50	1,838.89	1,838.89	
Previous year	1,251.53	1,085.51	3.32	2,333.72	252.43	243.86	1.46	494.83				

1. On April 13, 2005, Karnataka Industrial Areas Development Board (KIADB) allotted land to the Company on a lease cum sale basis until December 17, 2010, to be sold to the Company at the end of lease period upon fulfillment of certain conditions. The lease has been registered in favour of the Company. The Company is confident of fulfilling the conditions. Accordingly, the initial and subsequent lease payments in this regard have been capitalised as leasehold land.

2. Amount of borrowing cost aggregating Rs. 7.17 million (Previous year - Rs. Nil) is capitalised during the year under capital work in progress.

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 6 - Investments		
Long term investments (Unquoted, at cost)		
Other than trade		
<i>Government securities</i>		
National savings certificates	0.08	0.08
<i>Equity shares</i>		
2,680,000 (Previous year - 2,680,000) equity shares of Rs.10 each fully paid-up in Sobha Renaissance and Information Technology Private Limited	26.80	26.80
Current Investments (At lower of cost and market value)		
Other than trade		
1,006 (Previous year - Nil) equity shares of Rs.10 each fully paid up in Tata Steel Limited	0.69	-
Nil (Previous year - 30,014,914) units in HSBC Cash Fund	-	300.31
Nil (Previous year - 19,908,506) units in Reliance Floating Rate Fund	-	200.38
	27.57	527.57
Aggregate amount of quoted investments [Market value Rs.0.69 million (Previous year - Rs.500.69 million)]	0.69	500.69
Aggregate amount of unquoted investments	26.88	26.88
Schedule 7 - Inventories (At lower of cost and net realisable value)		
Raw materials	254.73	216.66
Building materials	6.80	14.33
Work-in-progress	7,749.87	3,642.83
Stock in trade - Flats	356.08	18.74
Finished goods	25.76	15.06
	8,393.24	3,907.62
Schedule 8 - Sundry debtors (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	414.92	90.51
Other Debts	5,133.18	1,489.13
	5,548.10	1,579.64
Schedule 9 - Cash and bank balances		
Cash on hand	12.49	3.77
Balances with scheduled banks		
On current accounts	249.87	58.26
On deposit accounts	24.27	621.76
	286.63	683.79
[Including Rs.14.18 million (Previous year - Rs.156.65 million) held by banks under margin money deposit and Rs.18.72 million (Previous year - Rs.8.25 million) held towards loan escrow account]		

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2008	2007
Schedule 10 - Loans and advances (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received		
Land advance*	16,248.00	9,786.40
Others	320.21	481.78
Inter-corporate deposit	76.19	55.27
Deposits - others	473.29	472.04
Advance income tax (net of provision)	67.66	80.11
Advance fringe benefits tax (net of provision)	1.29	0.21
Interest accrued but not due	-	0.07
Balances with customs, port trusts, sales tax and excise authorities	90.42	151.90
	17,277.06	11,027.78
* Advances/ deposit for land though unsecured, are considered good as the advances have been given based on arrangements/ memorandum of understanding executed by the Group and the Group/ seller/ intermediary is in the course of obtaining clear and marketable title, free from all encumbrances, including for certain properties under litigation.		
Schedule 11 - Current liabilities		
Sundry creditors for goods, services and expenses		
Due to micro and small enterprises	-	-
Others	810.66	913.69
Advance from customers	1,103.08	2,265.29
Interest accrued but not due on loans	433.52	97.28
Investor protection & education fund shall be credited for unclaimed dividends when due	0.40	-
Other liabilities	2,498.79	1,758.06
	4,846.45	5,034.32
Schedule 12 - Provisions		
Proposed dividend	474.00	405.60
Corporate dividend tax	81.00	68.93
Provision for compensated absences	56.49	37.26
Provision for gratuity	2.04	4.59
Provision - others	285.20	108.78
Provision for wealth tax (net of advance tax payments)	0.41	0.29
	899.14	625.45

Schedules to the Consolidated Accounts

(Rs. in Million)

	Year ended March 31	
	2008	2007
Schedule 13 - Income from operations		
Income from property development	8,618.78	7,531.68
Income from contractual activity	3,886.99	3,033.49
Income from manufacturing	1,943.33	1,382.32
	14,449.10	11,947.49
Schedule 14 - Other income		
Dividend from current investments (other than trade)	36.09	18.05
Foreign exchange fluctuation (net)	2.05	1.27
Profit on sale of fixed assets (net)	0.48	0.45
Miscellaneous income	14.68	9.07
	53.30	28.84
Schedule 15 - Cost of sales		
Land cost	4,332.55	1,840.75
Construction cost		
Civil works	4,361.46	3,520.02
Electrical works	685.76	486.68
Interiors and other miscellaneous works	1,322.97	945.77
	6,370.19	4,952.47
Raw material consumption		
Opening stock	216.66	-
Add: Purchases	1,267.21	1,268.14
Less: Closing stock	(254.73)	(216.66)
	1,229.14	1,051.48
Production expenses		
Direct wages and labour charges	237.32	186.77
Power and fuel	26.07	23.05
Other direct expenses	24.29	25.80
	287.68	235.62
Consolidation adjustment to inventory on account of sale of subsidiary	(129.67)	-
Decrease/ (increase) in inventories		
Closing inventory		
- Building materials	6.80	14.33
- Work-in-progress	7,749.87	3,642.83
- Stock in trade - Flats	356.08	18.74
- Finished goods	25.76	15.06
Opening inventory		
- Building materials	14.33	11.26
- Work-in-progress	3,642.83	2,643.74
- Stock in trade - Flats	18.74	4.78
- Finished goods	15.06	5.07
	(4,447.55)	(1,026.11)
	7,642.34	7,054.21

Schedules to the Consolidated Accounts

(Rs. in Million)

	Year ended March 31	
	2008	2007
Schedule 16 - Personnel expenses		
Salaries and bonus	878.51	632.88
Gratuity	4.94	6.56
Compensated absence	27.32	19.93
Contribution to provident and other funds	66.87	41.35
Staff welfare and other expenses	47.09	33.83
	1,024.73	734.55
Schedule 17 - Operating and other expenses		
Electricity charges	56.04	29.90
Insurance charges	53.59	33.25
Rates and taxes		
Sales tax	755.53	720.63
Others	13.02	3.80
Freight outwards	43.20	28.67
Donation	99.76	128.84
Registration expenses - flats	240.97	159.51
Rent	135.92	94.13
Legal and professional charges	106.60	104.64
Repairs and maintenance		
Plant and machinery	7.40	7.74
Others	15.73	9.47
Advertisement and sales promotion expenses	143.48	49.64
Travelling and conveyance	97.41	67.40
Miscellaneous expenses	171.93	71.04
	1,940.58	1,508.66
Schedule 18 - Financial expenses		
Interest*		
- On term loans and debentures	377.59	412.96
- On bank loans	179.78	36.00
- Others	4.30	3.44
Bank charges	52.88	33.98
	614.55	486.38
* Net of :		
(a) Interest income of Rs.18.03 million (Previous year - Rs.29.64 million) [Tax deducted at source Rs.4.89 million, (Previous year - Rs.7.43 million).		
(b) Rs.897.02 million (Previous year - Rs.135.62 million) inventorised/ capitalised for qualifying assets and reimbursements.		

Schedules to the Consolidated Accounts

Schedule 19: Notes to accounts

1. Background

Sobha Developers Limited ('Company' or 'SDL') was incorporated on August 7, 1995. SDL and its subsidiaries (herein after collectively referred to as 'the Group') are leading real estate developers engaged in the business of construction, development, sale, management and operation of all or any part of townships, housing projects, commercial premises and other related activities. The Group is also engaged in manufacturing activities related to interiors, glazing and metal works and concrete products which also provides backward integration to its turnkey projects.

During 2007-08, the Company has entered into partnership with Tree Hill Estates Private Limited effective May 16, 2007, to set up M/s Sobha City, whereby it plans to do development of certain real estate projects.

The Company has sold its investment in the equity shares of its subsidiary, M/s S.B.G Housing Private Limited, pursuant to approval by the Board of Directors in the Board Meeting held on October 29, 2007. The equity shares, having a carrying value of Rs.0.1 million have been sold for a consideration of Rs.0.1 million.

2. Statement of significant accounting policies

a) Basis of preparation

The accompanying consolidated financial statements include the accounts of SDL and its subsidiaries. All the subsidiaries have been incorporated in India. The details of subsidiaries are as follows:

Name of Subsidiary	Percentage of holding
Sobha City ['Partnership firm']	70% [Profit sharing ratio]
SBG Housing Private Limited [sold pursuant to approval by the Board of Directors on October 29, 2007]	100%
Subsidiaries of Sobha City	
Vayaloor Properties Private Limited [from July 1, 2007]	99.99%
Vayaloor Builders Private Limited [from July 1, 2007]	99.99%
Vayaloor Developers Private Limited [from July 1, 2007]	99.99%
Vayaloor Real Estate Private Limited [from July 1, 2007]	99.99%
Vayaloor Realtors Private Limited [from July 1, 2007]	99.99%
Valasai Vettikadu Realtors Private Limited [from July 1, 2007]	99.99%

The consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The consolidated financial statements have been prepared to comply in all material respects with 'Accounting Standard 21 - Consolidated Financial Statements' and other applicable accounting standards as applicable, notified by the Companies Accounting Standards Rules, 2006 to reflect the financial position and the results of operations of the Group.

The financial statements of the subsidiary are drawn upto the same reporting date as that of the Company i.e March 31, 2008. The consolidated financial statements of the Group have been prepared based on line-by-line consolidation of the balance sheet, statement

of profit and loss and cash flows of the Company and its subsidiaries. Inter-company balances and intra-company transactions and resulting unrealised profits have been eliminated on consolidation. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

b) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant estimates used by the management in the preparation of these financial statements include computation of percentage completion for projects in progress, project cost, revenue and saleable area estimates, estimates of the economic useful lives of fixed assets, provisions for bad and doubtful debts. Any revision to accounting estimates is recognised prospectively.

c) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

d) Depreciation/ Amortisation

Depreciation on assets is provided using written down value method at the rates prescribed under schedule XIV of the Companies Act, 1956, which is also estimated by the management to be the estimated useful lives of the assets.

Steel scaffolding items are depreciated using straight line method over a period of 6 years, which is estimated to be the useful life of the asset.

Assets individually costing less than or equal to Rs.5,000 are fully depreciated in the year of purchase.

Leasehold land and leasehold improvements are amortised over the remaining primary period of lease or their estimated useful life, whichever is shorter, on a straight-line basis.

Intangible assets – Expenditure incurred on software is amortised over a period of 3 years, which is estimated to be the useful life of the asset.

e) Impairment

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/ external factors. If any such indication exists, the Group estimates the recoverable amount of the asset. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges and other initial direct costs are charged to profit and loss account.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

h) Inventories

Related to contractual and real estate activity

Direct expenditure relating to construction activity is inventorised. Indirect expenditure (including borrowing costs) during construction period is inventorised to the extent the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is neither related to the construction activity nor is incidental thereto is charged to the profit and loss account. Cost incurred/ items purchased specifically for projects are taken as consumed as and when incurred/ received.

i. Work-in-progress - Contractual: Cost of work yet to be certified/ billed, as it pertains to contract costs that relate to future activity on the contract, are recognised as contract work-in-progress provided it is probable that they will be recovered.

ii. Work-in-progress - Real estate projects: Represents cost incurred in respect of unsold area of the real estate development projects or cost incurred on projects where the revenue is yet to be recognised.

iii. Finished goods - Flats: Valued at lower of cost and net realisable value.

iv. Finished goods - Plots: Valued at lower of cost and net realisable value.

v. Building materials purchased, not identified with any specific project are valued at cost determined on a weighted average basis.

Related to manufacturing activity

i. Raw materials are valued at lower of cost and net realisable value. Cost is determined based on a weighted average basis.

ii. Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. However, inventory held for use in production of finished goods is not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income from operations (gross) is gross of sales tax/ value added tax and net of adjustment on account of cancellation/ returns.

i. Recognition of revenue from contractual projects

Revenue from fixed price contractual projects is recognised on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Group with its customers.

ii. Recognition of revenue from real estate projects

Revenue from real estate under development/ sale of developed property (excluding land) is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements, except for contracts where the Group still has obligations to perform substantial acts even after the transfer of all significant risks and rewards. In such cases, the revenue is recognised on percentage of completion method, when the stage of completion of each project reaches a significant level which is estimated to be atleast 25% of the total estimated construction cost of the project. Revenue is recognised in proportion that the contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs. Land costs are not included for the purpose of computing the percentage of completion.

Revenue from sale of undivided share of land [group housing] is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements and when the stage of completion of each project reaches a significant level which is estimated to be atleast 25% of the total estimated construction cost of the project.

Revenue from sale of villa plots is recognised upon transfer of all significant risks and rewards of ownership of such real estate/property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements.

Revenue from real estate projects is recognised when it is reasonably certain that the ultimate collection will be made and that there is buyers' commitment to make the complete payment.

Revenue from real estate projects include charges collected from clients towards registration, electricity and water charges, property taxes, khata charges and other charges, which are accounted based upon the contracts/ agreements entered into by the Group with its customers.

iii. Recognition of revenue from manufacturing division
Revenue from sale of materials is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with dispatch of goods to the customers. Excise duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year. Service income is recognised on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Group with its customers.

iv. Dividend income
Revenue is recognised when the shareholders' or unitholders' right to receive payment is established.

v. Interest income
Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

j) Foreign Currency Translation
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognised as income or as expenses in the year in which they arise.

The Group uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. The premium or discount on forward exchange contracts is recognised in the profit and loss account over the period of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

k) Taxes
Tax expense comprises of current, deferred and fringe benefits tax.

Current income tax and fringe benefits tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

l) Retirement and Other Employee Benefit
Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the provident fund are due. There are no other obligations other than the contribution payable to the government administered provident fund.

The Group makes contributions to Sobha Developers Employees Gratuity Trust ("the trust") to discharge the gratuity liability to employees. Payments to the trust are charged to the profit and loss account in the year of payment. Provision towards gratuity is made for the difference between actuarial valuation by an independent actuary and the fund balance as at the year-end. The actuarial valuation is performed using the projected unit credit method.

Provision in respect of compensated absence is made based on the extent of leave credit available to the employees as at the year end. Short-term compensated absences are provided for based on estimates. Long-term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/ losses are immediately taken to profit and loss account and are not deferred.

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the year for which the services are rendered by the employee.

m) Earnings per share
Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

n) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

o) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

p) Borrowing Costs

Borrowing costs relating to acquisition/ construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/ sale. All other borrowing costs not eligible for inventorisation/ capitalisation are charged to revenue.

q) Land

Advances paid by the Group to the seller/ intermediary toward outright purchase of land is recognised as land advance under loans and advances during the course of obtaining clear and marketable title, free from all encumbrances and transfer of legal title to the Group, whereupon it is transferred to work-in-progress.

Deposits paid by the Group to the seller towards right for development of land in exchange of constructed area are recognised as land advance under loans and advances, unless they are non-refundable, wherein they are transferred to work-in-progress on the launch of project.

The Group has entered into agreements with land owners/ possessor to develop properties on such land in lieu of which, the Group has agreed to transfer certain percentage of constructed area. The development and transfer of constructed area in exchange of such development rights/ land is being accounted on a net basis and not separately disclosed in the consolidated financial statements.

3. Details of secured loans and securities offered

(Rs. in Million)

Details of security offered	Year ended March 31	
	2008	2007
Debentures		
Secured by equitable mortgage of certain lands of the Group.	3,500.00	2,250.00
From banks		
<i>Term loans</i>		
Secured by equitable mortgage of land and building, receivables and inventory of specific real estate projects, lease hold rights in respect of the factory land and building and hypothecation of plant and machinery and inventory of specific real estate/ contractual projects.	8,734.53	3,091.16
<i>Cash credit and other facilities</i>		
Secured by hypothecation of receivables of specific real estate and contractual projects, equitable mortgage of land and building of specific real estate projects and hypothecation of stock of building materials.	2,076.51	21.91
<i>Vehicle/ equipment loan</i>		
Secured by specific assets / vehicles.	28.66	11.20
From others		
<i>Vehicle/ equipment loan</i>		
Secured by specific assets / vehicles.	41.18	78.00
	14,380.88	5,452.27

Note: All the above loans except to the extent of Rs.9,105 million (Previous year - Rs.136.71 million) have been personally guaranteed by two directors.

4. Details of collateral securities offered by group companies in respect of loans availed by the Group

(Rs. in Million)

Nature of Company	Nature of loan	Nature of security	Year ended March 31	
			2008	2007
Sobha Inncity Technopolis Private Limited	Term loans	Equitable mortgage of land and building	250.00	925.97
Sobha Inncity Technopolis Private Limited	Cash credit	Equitable mortgage of land and building	197.91	-
Sobha Technocity Private Limited	Cash credit	Equitable mortgage of land and building	197.91	454.67
Sobha Technocity Private Limited	Line of credit	Equitable mortgage of land and building	-	0.29
Sobha Interiors Private Limited	Term loans	Equitable mortgage of lease hold rights in respect of the factory land and building	170.00	215.00
Bikasa Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Bikasa Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	-
Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	475.00	-
Cochin Cyber Golden Properties Private Limited	Term loans	Equitable mortgage of land	475.00	-
Cochin Cyber Value Added Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	-
SBG Housing Private Limited	Term loans	Equitable mortgage of land	500.00	-
Daram Cyber Developers Private Limited	Term loans	Equitable mortgage of land	500.00	-
Daram Cyber Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Greater Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	500.00	-

Cont'd.

(Rs. in Million)

Nature of Company	Nature of loan	Nature of security	Year ended March 31,	
			2008	2007
Greater Cochin Developers Private Limited	Term loans	Equitable mortgage of land	500.00	-
Greater Cochin Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Greater Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	-
Padmalochana Enterprises Private Limited	Term loans	Equitable mortgage of land	500.00	-
Perambakkam Builders Private Limited	Term loans	Equitable mortgage of land	500.00	-
Red Lotus Realtors Private Limited	Term loans	Equitable mortgage of land	475.00	-
Sengadu Builders Private Limited	Term loans	Equitable mortgage of land	500.00	-
Sengadu Developers Private Limited	Term loans	Equitable mortgage of land	500.00	-
Sengadu Properties Private Limited	Term loans	Equitable mortgage of land	500.00	-
Sunbeam Projects Private Limited	Term loans	Equitable mortgage of land	475.00	-

5. Redeemable non-convertible debentures amounting to Rs.3,500 million (Previous year - Rs.2,250 million) are to be redeemed in cash on the following dates

(Rs. in Million)

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2008
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate - 9.90% Cap Rate - 10.00%	26-Aug-08	1,000.00
DSP Merrill Lynch Mutual Fund 25 certificates of Rs.10 million each	Rate - 11.90%	29-May-09	250.00
LIC Mutual Fund 50 certificates of Rs.10 million each	Floor rate - 10.15% Cap Rate - 10.25%	18-Nov-08 18- Dec-08	250.00 250.00
Deutsche Mutual Fund 100 certificates of Rs.10 million each	Rate - 11.55%	14-Oct-08	1,000.00
DSP Merrill Lynch Mutual Fund 75 certificates of Rs.10 million each	Rate - 11.10%	08-Jan-10	750.00

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2007
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate - 8.75% Cap Rate - 8.85%	19-Sep-07	1,000.00
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate- 8.75% Cap rate - 8.85%	29-Sep-07 31-Oct-07	500.00 500.00
LIC Mutual Fund 250 certificates of Rs.1 million each	Rate - 9.10%	09-Nov-07	250.00

6. Related party disclosure

a) List of related parties

Key Management Personnel

Mr. P.N.C. Menon
Mr. Ravi Menon
Mr. J.C. Sharma
Mr. P. Kanodia
Mr. K. Suresh
Mrs. Sobha Menon
Lt. Gen. (Retd.) Mathew Mammen

Cochin Cyber Golden Properties Private Limited
Cochin Cyber Value Added Properties Private Limited
Padmalochana Enterprises Private Limited
Perambakkam Builders Private Limited
Red Lotus Realtors Private Limited
Sengadu Builders Private Limited
Sengadu Developers Private Limited
Sengadu Properties Private Limited
Sunbeam Projects Private Limited

Relatives of Key Management Personnel

Mr. Shine V. Nair
Mr. P.N. Haridas
Mr. P.N.K. Mani

Other Related Parties [Enterprise owned or significantly influenced by key management personnel]

Sobha Projects & Trade Private Limited
Sobha Renaissance Information Technology Private Limited
Sobha Innercity Technopolis Private Limited
Hill and Menon Securities Private Limited
Sobha Electro Mechanical Private Limited
Chauma Properties and Construction Private Limited
Sri Kurumba Trust
Sobha Interiors Private Limited
Sobha Nadattur Aerospace Private Limited
Puzhakkal Developers Private Limited
Moolamcode Traders Private Limited
Pallavur Projects Private Limited
Sobha Jewellery Private Limited
Lotus Manpower Consultants Services Private Limited
Sobha Contracting Private Limited
Red Lotus Facility Services Private Limited
Greater Cochin Properties Private Limited
Greater Cochin Realtors Private Limited
Greater Cochin Cyber City Private Limited
Greater Cochin Developers Private Limited
Cochin Cyber City Private Limited
Cochin Super City Developers Private Limited
Daram Cyber Properties Private Limited
Daram Land Real Estate Private Limited
Daram Cyber Developers Private Limited
Services and Trading Co. LLC
Technobuild Developers Private Limited
Royal Interiors Private Limited
Oman Builders Private Limited
Sobha Glazing & Metal Works Private Limited
Lotus Manpower Services
Sobha Space Private Limited
Sobha Technocity Private Limited
M/s Indeset Building Materials LLC
M/s Indeset Trading and Decorations Services LLC
Furniture Makers Limited Company LLC
Bikasa Properties Private Limited
Bikasa Realtors Private Limited

b) Transactions with related parties

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2008	March 31, 2007
Sale of goods and services	Other related parties	Sri Kurumba Trust	10.11	43.94
		Oman Builders Private Limited	-	9.07
		Sobha Glazing & Metal Works Private Limited	0.40	-
		Furniture Makers Limited Company, LLC	0.15	-
		Sobha Innercity Technopolis Private Limited	-	0.78
	Key management personnel	Mrs. Sobha Menon	19.73	31.57
Mr. P.N.C. Menon		0.30	0.04	
Mr. J.C. Sharma		13.36	6.20	
Interest recharge	Other related parties	Technobuild Developers Private Limited	556.59	135.62
Interest received	Other related parties	Sobha Renaissance Information Technology Private Limited	7.89	5.78
Purchase of goods and contractual services	Other related parties	Sobha Projects & Trade Private Limited	68.87	31.02
		Sobha Interiors Private Limited	-	233.19
		Sobha Glazing & Metal Works Private Limited	-	169.06
		Sobha Space Private Limited	-	30.60
		Lotus Manpower Services	540.58	337.31
	Sobha Renaissance Information Technology Private Limited	0.17	18.77	
Key management personnel	Mr. P.N.K. Mani	0.38	1.68	
	Directors' remuneration	Key management personnel	Mr. J.C. Sharma	58.41
Lt. Gen. (Retd.) Mathew Mammen	-		0.41	
Mr. Ravi Menon	20.87		20.87	
Mr. P.N.C. Menon	32.59		32.56	
Salary (including perquisites)	Key management personnel	Mr. K. Suresh	3.61	2.06
		Mr. P. Kanodia	3.36	2.19
	Relatives of key management personnel	Mr. P.N. Haridas	0.69	-
Mr. Shine V. Nair		10.00	-	
Purchase of fixed assets	Other related parties	Sobha Interiors Private Limited	-	62.70
		Sobha Glazing & Metal Works Private Limited	-	25.72
		Sobha Space Private Limited	-	45.62
Interest paid	Key management personnel	Mrs. Sobha Menon	0.54	0.90
		Mr. P.N.C. Menon	-	0.05

Cont'd.

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2008	March 31, 2007
Donation paid	Other related parties	Sri Kurumba Trust	84.01	122.20
Rent deposit paid	Other related parties	Sobha Glazing & Metal Works Private Limited	110.00	110.00
		Sobha Interiors Private Limited	280.00	280.00
Rent paid	Other related parties	Sobha Interiors Private Limited	0.30	0.78
		Sri Kurumba Trust	0.06	-
		Sobha Glazing & Metal Works Private Limited	0.30	0.78
	Key management	Mrs. Sobha Menon	0.67	0.67
Loan given	Other related parties	Sobha Renaissance Information Technology Private Limited	-	41.50
Balance receivable	Erstwhile Subsidiary Company	SBG Housing Private Limited	165.41	154.89
	Other related parties	Sobha Projects & Trade Private Limited	10.06	12.94
		Sobha Renaissance Information Technology Private Limited	75.25	55.27
		Hill and Menon Securities Private Limited	0.14	0.10
		Sobha Electro Mechanical Private Limited	0.14	0.14
		Sobha Aviation And Engineering Services Private Limited	0.76	0.03
		Chauma Properties and Construction Private Limited	8.81	8.81
		Sobha Nadattur Aerospace Private Limited	0.03	0.03
		Puzhakkal Developers Private Limited	11.59	3.13
		Pallavur Projects Private Limited	47.42	-
		Sobha Jewellery Private Limited	0.42	-
		Lotus Manpower Consultants Services Private Limited	0.06	-
		Lotus Manpower Services	39.05	(9.70)
		Sobha Contracting Private Limited	8.09	-
		Services and Trading Co. LLC	7.07	-
		Furniture Makers Limited Company LLC	0.15	-
Technobuild Developers Private Limited	5,416.57	3,306.29		

Cont'd.

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2008	March 31, 2007
Balance payable	Other related parties	Royal Interiors Private Limited	10.17	10.17
		Sobha Interiors Private Limited	1.66	3.94
		Oman Builders Private Limited	28.07	41.48
		Sobha Glazing & Metal Works Private Limited	5.67	12.47
		Sri Kurumba Trust	0.05	-
		Sobha Inncity Technopolis Private Limited	2.63	(0.77)
		Sobha Technocity Private Limited	0.25	1.24
		Sobha Space Private Limited	4.09	-
		Key management personnel	Mr. P.N.C. Menon	0.08
	Mr. J.C. Sharma		15.38	0.42
	Mrs. Sobha Menon		8.68	8.99
	Relatives of key management personnel	Mr. Shine V. Nair	-	-
		Mr. P.N.K. Mani	0.03	0.03

*Also, refer note 4 (Schedule 19) as regards collateral securities offered by group companies in respect of loans availed by the Group

7. Earnings per share ['EPS']

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Profit after tax and minority interest attributable to shareholders	2,281.02	1609.74
Weighted average number of equity shares of Rs.10 each outstanding during the year used in calculating basic and diluted EPS	72,902,000	66,353,669

8. Lease

a. Assets taken on lease

Operating lease obligations

The Group has taken office, other facilities and other equipments under cancelable and non-cancelable operating leases, which are renewable on a periodic basis.

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Lease payments recognised as an expense in consolidated profit and loss account	135.92	94.13

Minimum lease payments outstanding in respect of these lease are as follows:

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Not later than one year	31.38	19.69
Later than one year and not later than five years	44.39	29.09
	75.77	48.78

9. Capital Commitments

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	40.94	18.27

10. Donation to political parties

(Rs. in Million)

Name of the party	March 31, 2008	March 31, 2007
Congress (I)	0.51	0.10
Bhartiya Janata Party	0.51	-
Communist Party of India	0.63	0.50
Others	1.07	0.02
	2.72	0.62

11. Provisions and contingencies

a. Provisions

(Rs. in Million)

Class of provisions	Balance as at April 1, 2007	Additions	Amount utilised	Balance as at March 31, 2008
Provision - others	108.78	285.20	108.78	285.20

Nature of provisions: The Group provides for warranties and expected cost for completed projects, based on technical evaluation and past experience of meeting such obligations.

b. Contingent liabilities not provided for

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
i. Guarantees and counter guarantees given by the Group	276.62	152.83
ii. Income tax matters in dispute	45.84	47.60
iii. Sales tax matters in dispute	81.37	20.18
iv. Service tax matters in dispute	648.76	-
	1,052.59	220.61

Note: The Group is also involved in certain litigation for lands acquired by it for construction purposes, either through joint development agreements or through outright purchases. These cases are pending with various courts and are scheduled for hearings. After considering the circumstances and legal advice received, management believes that these cases will not adversely effect its financial statements.

12. Employee benefits

The following tables summarise the components of net benefit expense recognised in the consolidated profit and loss account and the funded status and amounts recognised in the consolidated balance sheet for gratuity benefit

Consolidated profit and loss account

Net employee benefit expense (recognised in personnel cost)

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Current service cost	11.59	8.07
Interest cost on benefit obligation	2.40	1.66
Expected return on plan assets	(1.71)	(1.08)
Net actuarial loss/ (gain) recognised	(7.34)	(2.09)
Net benefit expense	4.94	6.56

Consolidated balance sheet

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Defined benefit obligation	25.08	18.77
Fair value of plan assets	23.04	14.18
Plan (asset)/liability	2.04	4.59
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	18.77	10.48
Interest cost	2.40	1.66
Current service cost	11.59	8.07
Benefits paid	(0.70)	(0.89)
Actuarial (gains)/losses on obligation	(6.98)	(0.55)
Closing defined benefit obligation	25.08	18.77
Changes in the fair value of plan assets		
Opening fair value of plan assets	14.18	13.50
Expected return	1.71	1.08
Contributions by employer	7.50	-
Benefits paid	(0.71)	(1.94)
Actuarial gains / (losses)	0.36	1.54
Closing fair value of plan assets	23.04	14.18
Actual return on plan assets		
Expected return on plan assets	1.71	1.08
Actuarial gain/ (loss) on plan assets	0.36	1.54
Actual return on plan assets	2.07	2.62
Investment details of plan assets		
Investment with insurer - 100% in debt instruments		
The principal assumptions used in determining gratuity obligation		
Discount rate	8%	8%
Expected rate of return on assets	8%	8%
The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.		
Increase in compensation cost	10%	10%

Notes: i. The Group expects to contribute Rs.10 million to the trust towards gratuity fund in 2008-09.

ii. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other several factor such as supply and demand factor in the employment market. Employee turnover varies based on various age groups.

13. Segment reporting

As the Group's business activity primarily falls within a single business segment which constitutes real estate development, there are no additional disclosures to be provided under Accounting Standard 17 'Segment Reporting'. The Group operates primarily in India and there is no other significant geographical segment.

14. Details of utilisation of net IPO proceeds

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Net IPO proceeds during 2006-07	5,374	5,374
Utilisation		
Towards land acquisition	2,569	2,672
Development and construction of projects	1,218	154
Repayment of loans	1,587	1,587
Unutilized funds invested in mutual funds and fixed deposits	-	961
	5,374	5,374

15. Amounts due from companies under the same management as defined in sub-section (1-B) of Section 370 of the Companies Act, 1956, are as under:

(Rs. in Million)

Particulars	March 31, 2008		March 31, 2007	
	Closing balance	Maximum amount due	Closing balance	Maximum amount due
- Included under loans and advances				
Sobha Projects & Trade Private Limited	10.06	23.15	12.94	14.78
Sobha Renaissance Information Technology Private Limited	75.25	75.25	55.27	70.71
Hill and Menon Securities Private Limited	0.14	0.14	0.10	0.10
Sobha Electro Mechanical Private Limited	0.14	0.14	0.14	0.14
Sobha Aviation And Engineering Services Private Limited	0.76	0.76	0.03	0.03
Chauma Properties and Construction Private Limited	8.81	8.81	8.81	8.81
Sobha Nadattur Aerospace Private Limited	0.03	0.03	0.03	0.03
Puzhakkal Developers Private Limited	11.59	11.59	3.13	3.13
Pallavur Projects Private Limited	47.42	47.42	-	-
Sobha Jewellery Private Limited	0.42	0.42	-	-
Lotus Manpower Consultants Services Private Limited	0.06	0.07	-	-
Sobha Contracting Private Limited	8.09	8.09	-	-
Services and Trading Co. LLC	7.07	7.07	-	-
Technobuild Developers Private Limited	5,416.57	5,416.57	3,306.29	3,306.29
Lotus Manpower Services	39.05	83.88	-	-
Sobha Innercity Technopolis Private Limited	-	-	0.77	0.77
- Included under debtors				
Furniture Makers Limited Company, LLC	0.15	0.15	-	-

16. Deferred tax

The break up of net deferred tax asset/ (liabilities) as at March 31, 2008 is as follows:

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Difference between book depreciation and depreciation under the Income-tax Act, 1961	(8.84)	(34.87)
Expenditure under Section 43B of the Income-tax Act, 1961	19.53	12.54
Net deferred tax asset/(liability)	10.69	(22.33)

17. Construction Contracts

(Rs. in Million)

Particulars	March 31, 2008	March 31, 2007
Contract revenue recognised as revenue for the year ended March 31, 2008	9,990.77	8,661.13
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to March 31, 2008 for all the contracts in progress.	6,480.68	11,171.63
The amount of customer advances outstanding for contracts in progress as at March 31, 2008	1,061.76	1,812.28
The amount of retentions due from customers for contracts in progress as at March 31, 2008	237.41	23.40

18. Derivative instruments

(Rs. in Million)

Particulars	March 31, 2008
Forward cover for foreign currency denominated bank loan	580.00
Foreign currency exposure (net) that are not hedged by derivative instruments or otherwise	6.00

19. Based on the information available with the Group, there are no suppliers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as at March 31, 2008.

20. Details of investments sold and purchased during the year

(Rs. in Million)

Particulars	No. of units (in Million)	Face value	Purchase value	Sale value
ABN AMRO Money Plus Fund	30.13	10	301.35	301.35
Birla Cash Plus	20.14	10	210.53	210.53
Birla Sunlife Liquid Plus	35.02	10	350.49	350.49
DBS Chola Short Term Floating Fund	10.02	10	100.18	100.18
DWS Credit Opportunities Cash Fund	20.04	10	201.07	201.07
DWS Insta Cash Plus Fund	15.00	10	150.16	150.16
Franklin Templeton India TMA Fund	20.01	10	200.29	200.29
Franklin Templeton TMA Mutual Fund	30.06	10	300.88	300.88
HDFC Cash Management Fund	24.01	10	250.37	250.37
HSBC Cash Fund	153.00	10	1,538.07	1,538.07
ICICI Prudential - Flexible Income Plan	28.47	10	301.08	301.08
ICICI Prudential Liquid Fund	20.12	10	201.16	201.16
ING Vysya Liquid Fund	32.75	10	327.63	327.63
J.M. High Liquidity Fund	10.01	10	100.19	100.19
LIC Mutual Fund - Liquid Fund	141.30	10	1,453.20	1,453.20

Contd.

20. Details of investments sold and purchased during the year

(Rs. in Million)

Particulars	No. of units (in Million)	Face value	Purchase value	Sale value
Lotus India Liquid Fund	25.03	10	250.65	250.65
Principal Cash Management Fund	20.19	10	201.94	201.94
Reliance Floating Rate Fund	9.99	10	100.55	100.55
Reliance Liquid Fund	20.07	10	200.78	200.78
Reliance Liquid Plus Fund	0.15	10	150.53	150.53
Reliance Liquidity Fund	5.00	10	50.05	50.05
Sundaram BNP Paribas Money Fund	45.09	10	451.26	451.26
Sundaram BNP Paribas Money Fund	50.33	10	503.78	503.78
Tata Liquid Fund	19.94	10	200.13	200.13
Tata Liquid Super High Investment Fund	20.01	10	200.83	200.83
Templeton Long Term Super IP Fund	25.13	10	251.91	251.91
ACC Limited	0.00	10	2.05	2.05

21. In accordance with ASI 14 (Revised) on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs.138.37 million (Previous year - Rs.82.84 million) has been reduced from Income from operations in consolidated profit and loss account and excise duty on increase in inventory of finished goods amounting to Rs.1.90 million (Previous Year - Rs.1.20 million) has been accounted in the consolidated profit and loss account under the head 'Cost of sales'.
22. Minority interest represents that part of net results of operations and of the net assets of Sobha City, which are directly attributable to interest which are not owned, directly or indirectly by the Company. It represents 50% of the net asset and 30% of the profit after tax for the period, attributable to minority partners based on their profit sharing ratio

(Rs. in Million)

Particulars	March 31, 2008
Capital introduced during the year	200.00
Profit after tax	27.74
	227.74

23. The consolidated financial statements of earlier year including and upto the year ended March 31, 2007 were audited by other firm of Chartered Accountants. The figures of previous year have been regrouped/reclassified, where necessary, to conform with the current year's classification.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Nice, France
Date: May 30, 2008

For and on behalf of the Board of Directors
of Sobha Developers Limited

P.N.C. Menon
Chairman

P. Kanodia
Chief Financial Officer

Place: Bangalore, India
Date: May 30, 2008

Ravi Menon
Vice Chairman

K. Suresh
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Consolidated Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2008	2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	2,791.43	1,865.83
<i>Adjustments for</i>		
Depreciation/ amortisation	350.40	243.86
(Profit)/loss on sale of fixed assets	(0.48)	(0.45)
Dividend income	(36.09)	(18.05)
Interest income	(18.03)	(29.64)
Interest expense	579.70	482.05
Operating profit before working capital changes	3,666.93	2,543.60
<i>Movements in working capital:</i>		
(Increase)/ decrease in inventories	(3,588.63)	(1,098.17)
(Increase)/ decrease in debtors	(3,968.46)	(776.67)
(Increase)/ decrease in loans and advances	(6,260.72)	(5,752.20)
Increase/ (decrease) in current liabilities and provisions	(331.41)	522.41
Cash (used in)/ generated from operations	(10,482.29)	(4,561.03)
Taxes paid (net)	(504.19)	(307.22)
Net cash (used in)/ generated from operating activities - (A)	(10,986.48)	(4,868.25)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(548.98)	(1,173.33)
Proceeds from sale of fixed assets	4.90	2.31
Purchase of investments	(8,551.80)	(5,618.05)
Sale of investments	9,051.80	5,117.35
Sale of investments in subsidiaries	0.10	-
Interest received	18.10	31.17
Dividends received	36.09	18.05
Net cash (used in)/ from investing activities - (B)	10.21	(1,622.50)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	6,053.98
Buy-back of preference shares	-	(87.29)
Proceeds from capital contribution by minorities	200.00	-
Proceeds from secured loans	15,720.60	6,899.78
Repayment of secured loans	(6,792.00)	(5,655.60)
Proceeds from unsecured loans	3,095.12	380.62
Repayment of unsecured loans	(30.00)	(19.12)
Share issue expenses	-	(320.21)
Interest paid (gross)	(1,140.48)	(520.42)
Dividends paid	(405.20)	(5.92)
Tax on dividend paid	(68.93)	(1.01)
Net cash from/ (used in) financing activities - (C)	10,579.11	6,724.81
Net increase/ (decrease) in cash or cash equivalents - (A+B+C)	(397.16)	234.06
Cash and cash equivalents as at beginning of the year	683.79	449.73
Cash and cash equivalents as at the end of the year	286.63	683.79

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountantsper Sunil Bhumralkar
Partner
Membership No. 35141Place: Nice, France
Date: May 30, 2008For and on behalf of the Board of Directors of
Sobha Developers LimitedP.N.C. Menon
ChairmanP. Kanodia
Chief Financial OfficerPlace: Bangalore, India
Date: May 30, 2008Ravi Menon
Vice Chairman
K. Suresh
Company Secretary and
Compliance OfficerJ.C. Sharma
Managing Director

Report on Corporate Governance

Corporate Governance Philosophy

Corporate Governance encompasses adhering strictly to governing laws, procedures and practices, and the implicit rule that determines a Management's ability to make sound decisions vis-à-vis all its stakeholders viz., shareholders, creditors, employees and the State. Corporate Governance is primarily based on the principles of integrity, transparency, fairness, accountability, full disclosure and independent monitoring of the state of affairs.

Sobha Developers Limited has been in the forefront of adopting best governance practices so as to promote ethical values, social responsibility, transparency, accountability, fairness, integrity and compliance with the existing legislation. The corporate governance mechanism is being implemented in its true letter and spirit so as to ensure that all the stakeholders of the Company maximize their value legally, ethically and benefit in the long run, by way of sustained growth and value addition.

With respect to corporate governance, the objectives of the Company are:

1. Maximizing long-term shareholder value.
2. Not only meeting the statutory requirements of the code but to go well beyond it by instituting such systems and procedures as are in accordance with the latest global trend of making management completely transparent and institutionally sound.
3. Responsiveness management which meets the needs of its stakeholders.

The Company has a strong legacy of fair, transparent, and ethical governance practices. The Company's Corporate Governance philosophy has been further strengthened through the Sobha Code of Conduct, Share Dealing Code for prevention of Insider Trading, Whistle Blower Policy etc.

The Company strives to adopt to the best governance and disclosure practices with the following principles in mind.

- a. The management of the Company acts as the trustee of the shareholders' funds and not the owners of the same.
- b. Keep a clear distinction between personal and corporate resources.
- c. Disseminate material information of the Company in a clear and timely manner to the stakeholders.
- d. Comply with all applicable rules, regulations and laws of the land in which the Company operates.
- e. Maintains high degree of integrity in its disclosure.

The Company is in compliance with the requirements of the guidelines on corporate governance as stipulated under various clauses of the Listing Agreement with the stock exchanges and in this regard, submit a report on the matters mentioned in the said clauses and practices followed by the Company.

Some of the major initiatives taken by the Company towards strengthening its corporate governance and practices include the following:

- a. The Company has framed and implemented a Code of Conduct and Ethics for the Directors and senior management personnel, and a Code of Conduct for Prohibition of Insider Trading. These are monitored and reviewed regularly by the Board.

- b. A quarterly secretarial audit is conducted by an independent Practicing Company Secretary to report to the management and the shareholders on the status of compliance with various corporate laws. These reports are placed before the Board and the annual audit report placed before the Board is included in this Annual Report.

- c. Though the secretarial standards relating to Maintenance of Registers and Records, General Meeting, Board Meeting and Payment of Dividend, issued by the Institute of Company Secretaries of India (ICSI), one of the premier professional bodies in India, are recommendatory in nature, the Company voluntarily adheres to those standards.

- d. The role of the Company Secretary has been defined clearly in administering the overall governance process of the Company. The Company Secretary ensures that all relevant information, documents with details are made available to the Directors and members of various committees for effective decision making and is the interface between the management and regulatory authorities for governance matters.

Board of Directors

The Company has eight directors comprising of an Executive Chairman, a Vice Chairman, a Managing Director, a Non Executive Director and four other Independent Non Executive Directors. The appointment of four Independent Directors is in conformity with the provisions of Clause 49 of the Listing Agreement(s) entered into with the Stock Exchange(s) by the Company.

None of the directors are disqualified under Section 274(1)(g) of the Companies Act, 1956 read with Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003.

Necessary disclosures have been made by the Directors stating that they do not hold membership in more than 10 Committees or the Chairmanship of more than 5 Committees in terms of Clause 49 of the Listing Agreement(s).

The Composition of the Board as on March 31, 2008 is as follows:

Name	Position	Relationship with other directors	India "Listed " Companies	All Companies in India (listed & unlisted)*	In all Companies	In Committees
			As a Director		Committee memberships **	Chairperson**
Mr. P.N.C. Menon	Chairman	Spouse of Mrs. Sobha Menon and father of Mr. Ravi Menon	1	1	None	None
Mr. Ravi Menon	Vice Chairman	Son of Mr. P.N.C.Menon and Mrs. Sobha Menon	1	1	1	None
Mr. J.C. Sharma	Managing Director	None	1	1	2	None
Mrs. Sobha Menon	Non Executive Director	Spouse of Mr. P.N.C.Menon and Mother of Mr. Ravi Menon	1	1	None	None
Mr. N.S. Raghavan	Independent Director	None	2	3	2	None
Dr. S.K. Gupta	Independent Director	None	9	11	9	3
Mr. R.V.S. Rao	Independent Director	None	3	3	4	2
Mr. Anup Shah	Independent Director	None	2	2	2	None

* Directorship in public limited companies (listed and unlisted) have been considered

** In accordance with clause 49, Memberships/ Chairmanships of only Audit Committees and Investors Grievance Committee of all Public Limited Companies have been considered.

Board Definition of the Independent Director

The Company has adopted the definition of independent directors in accordance with Clause 49.I.A(iii) along with the related explanation of the Listing Agreements executed with the Stock Exchanges.

Board Compensation

The compensation to the Board of Directors is approved by the Shareholders and disclosed separately in Notes to Accounts.

Compensation to the Managing Director / whole time director(s) consists of fixed salary and/or performance incentive. The Executive Selection and Remuneration Committee of Directors review and approves / recommends the remuneration for the Managing Director / whole-time directors. The compensation payable to the independent directors is limited to a fixed amount per year approved by the Board and the shareholders.

Independent Directors Remuneration

Section 309 of the Companies Act, 1956 provides that a director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission if the Company by special resolution authorises such payment. Members of the Company at the Annual General Meeting held on September 13, 2006, approved the payment of remuneration by way of commission to independent directors at a rate not exceeding 1% per annum of the net profits of the Company. Accordingly the Board at its meeting held on September 20, 2006, fixed the yearly commission payable to each Independent Director as Rs.600,000, and sitting fees of Rs.10,000 per Board meeting.

Cash Compensation to the Directors for the year 2007-08

(Rs. in Million)

Sl No.	Name	Salary	Perquisites	Contribution to Provident Fund	Other Allowances	Commission /Incentive	Sitting fees	Total
1	Mr. P.N.C. Menon	28.80	1.63	2.16	-	-	-	32.59
2	Mr. Ravi Menon	19.20	0.23	1.44	-	-	-	20.87
3	Mr. J.C. Sharma	5.05	-	0.36	-	53.00	-	58.41
4	Mrs. Sobha Menon	-	-	-	-	-	-	-
5	Mr. N.S. Raghavan	-	-	-	-	0.60	0.06	0.66
6	Dr. S.K. Gupta	-	-	-	-	0.70	0.06	0.76
7	Mr. R.V.S. Rao	-	-	-	-	0.70	0.06	0.76
8	Mr. Anup Shah	-	-	-	-	0.70	0.05	0.75
	Total	53.05	1.86	3.96	0.00	55.70	0.23	114.80

Shareholding of Directors in the Company as on March 31, 2008

Sl No.	Name of the Shareholder	No. of Shares	%
1	Mr. P.N.C. Menon	16,488,522	22.62
2	Mrs. Sobha Menon	41,348,421	56.72
3	Mr. P.N.C. Menon and Mrs. Sobha Menon (joint holding)	5,494,407	7.54
4	Mr. Ravi Menon *	30	0.00
5	Mr. J.C. Sharma	159,721	0.22
6	Mr. Anup Shah #	4,300	0.01
7	Mr. N.S. Raghavan #	8,400	0.01
8	Mr. R.V.S. Rao #	15,000	0.02
9	Dr. S.K. Gupta * #	435	0.00
	Total	63,519,236	87.14

* Shareholding less than 0.01%

Non Executive Independent Director

Board Meetings

Being the apex body constituted by the shareholders for overseeing the overall functioning of the Company, the Board evaluates the strategic decisions on a collective consensus basis amongst the Directors. Most Board meetings are held at the Company's Corporate Office: # 4, Neeladri Plaza, Raja Ram Mohan Roy Road, Richmond Road Circle, Bangalore – 560 025. The Company Secretary in consultation with the Managing Director and the Chairman drafts the agenda for each Board meeting along with explanatory notes and distributes these in advance to the directors.

The Company has a well-defined process in place for placing vital and sufficient information before the Board. Any matters requiring discussion/ decision/ approval by the Board or Committee are communicated to the Company Secretary well in advance, so that the

same could be included in the agenda of the respective meetings. All information required under Clause 49 of the Listing Agreement(s) are covered to the fullest extent and presentation covering sales, finance, compliance, human resource and risk management practices are given to the Board before considering the quarterly and annual financial results of the Company. The Board meets at least once a quarter and the maximum time gap between any two meetings was not more than four months.

Four meetings of the Board of Directors were held during the year 2007-2008, viz., May 14, 2007; August 13, 2007; October 29, 2007 and January 30, 2008.

The Minutes of the Meetings of all the Committees namely, Audit Committee, Investors' Grievance Committee, Share Transfer Committee, Investments and Borrowings Committee, Price Revision Committee, Executive Committee and Executive Selection and Remuneration Committee of the Company are placed before the Board.

The attendance of the Directors at the Board Meetings and the AGM held during 2007-08 is given below.

Name	Position	Number of Meetings		Board Meeting Dates				Attendance at last AGM
		Held	Attended	May 14, 2007	August 13, 2007	October 29, 2007	January 30, 2008	
Mr. P.N.C. Menon	Chairman	4	4	Yes	Yes	Yes	Yes	Yes
Mr. Ravi Menon	Vice Chairman	4	4	Yes	Yes	Yes	Yes	Yes
Mr. J.C. Sharma	Managing Director	4	4	Yes	Yes	Yes	Yes	Yes
Mrs. Sobha Menon	Non Executive Director	4	1	Yes	No	No	No	No
Mr. N.S. Raghavan	Independent Director	4	4	Yes	Yes	Yes	Yes	Yes
Mr. R.V.S. Rao	Independent Director	4	4	Yes	Yes	Yes	Yes	Yes
Dr. S.K. Gupta	Independent Director	4	4	Yes	Yes	Yes	Yes	Yes
Mr. Anup Shah	Independent Director	4	3	Yes	No	Yes	Yes	No

Independent Directors' Discussion

The Chairman, Managing Director and/or senior management personnel of the Company meet(s) the independent directors before the meeting and updates them on business-related issues if required. There is no materially significant related party transaction between the directors, relatives of directors, senior management personnel or subsidiary except as disclosed in the financial report for the year ended March 31, 2008.

Committees of the Board

Presently, the Board has, (i) Audit Committee, (ii) Investors' Grievance Committee, (iii) Executive Selection and Remuneration Committee, (iv) Investments and Borrowings Committee, (v) Price Revision Committee, (vi) Executive Committee and (vii) Share Transfer Committee. The committees of the Board usually meet the same day before the Board Meeting or when required.

1. AUDIT COMMITTEE

The Audit Committee of the Company was constituted on June 28, 2006 in accordance with the provisions of Clause 49 of the Listing Agreement(s).

The Composition

The Audit Committee consists of four members, out of which three are independent directors namely Mr. R.V.S. Rao, Chairman of the Committee, Mr. N.S. Raghavan and Mr. Anup Shah who are members. Mr. J.C. Sharma, Managing Director of the Company, is also a member of the Committee. The constitution meets the requirement of Clause 49 of the Listing Agreement with the relevant Stock Exchange(s).

The Objective

The purpose of the Audit Committee is to ensure objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

The Composition, powers, role and terms of reference of the Committee are in consonance with the requirements mandated under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement(s).

The Terms of Reference

The roles of the Audit Committee:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of major accounting entries, based on the exercise of judgment by the management and review of significant adjustments arising out of the audit
- Review of qualifications in the draft audit report and suggestion of action points
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board
- Post-audit discussions with the independent auditors to ascertain any area of concern
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems
- To look into the reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders and creditors
- To look into matters pertaining to the Director's Responsibility Statement with respect to compliance with the accounting standards and accounting policies
- Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable
- To look into any related party transactions i.e., transactions of the Company of material nature with promoters or management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large
- Appointment and remuneration of statutory and internal auditors
- Such other matters as may from time to time required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee

The powers of the Audit Committee:

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if considered necessary

The composition and attendance of the members of the Audit Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. R.V.S. Rao (Chairman)	Non Executive, Independent	4	4
Mr. N.S. Raghavan	Non Executive, Independent	4	4
Mr. Anup Shah*	Non Executive,	4	2
Mr. J.C. Sharma	Independent Managing Director	4	4

* Mr. Anup Shah was inducted as a member of the Audit Committee during the year vide Board Resolution dated August 13, 2007.

The quorum for the Committee is two independent members present or one third of the total members of the Audit Committee, whichever is higher. To strengthen and increase the efficiency of the Committee, Mr. Anup Shah, an Independent Director, was inducted as a Member of the Audit Committee during the year vide Board Resolution dated August 13, 2007.

The CFO and the designated Executive Director of the Company heading the internal audit function along with the statutory auditors have attended all the Audit Committee meetings, in the capacity of invitees, held so far by the Company. The Chairman and Vice Chairman of the Board are also invited to attend the Committee meetings. The Company Secretary and Compliance Officer of the Company acted as the Secretary to the Committee.

As per the resolution of the Board dated September 20, 2006, the Chairman of the Audit Committee is entitled to a fixed commission of Rs.100,000 per annum and independent directors who are on the committee are entitled to Rs.5,000 per meeting as sitting fees.

The Audit Committee met 4 times during the financial year 2007 – 2008 on the following dates: May 13, 2007; August 13, 2007; October 29, 2007 and January 30, 2008. The Chairman of the Audit Committee was present at the last Annual General Meeting held on August 13, 2007.

Audit Committee Report for the year ended March 31, 2008

The Audit Committee consists of four members, three independent directors and the Managing Director of the Company. The constitution meets the requirement of Clause 49 of the Listing Agreement with the relevant stock exchange(s).

The statutory auditors are responsible for performing the quarterly (if any) and yearly statutory audit of the Company's financial statements in accordance with the prevailing accounting and auditing standards and for issuing a report thereon. The management is responsible for the Company's internal controls and financial reporting process.

The Committee is responsible for overseeing the processes related to (i) financial reporting, (ii) its dissemination, (iii) monitoring these processes (iv) ensuring that the financial statements are true and fair, and (v) recommending the appointment of the Company's internal and statutory auditors to the Board.

The management represented to the Committee that the Company's financial statements were prepared in accordance with the prevailing Accounting Principles and Practices. The Committee discussed with the Company's auditors, (i) the overall scope and plans for the statutory audit, (ii) the reasonableness of significant judgments and clarity of disclosures in the financial statements, and (iii) the applicability of the accounting principles and standards.

The Committee has reviewed the internal control system put in place to ensure that the books of accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company.

The Committee also reviewed the financial and risk management policies and procedures of the Company and expressed its satisfaction with the same.

Based on the above facts, the Audit Committee believes that the Company's financial statements are true and fair, and in conformity with generally accepted accounting principles in all material aspects.

Based on the Committee's discussion with the management, the internal auditor and the statutory auditors, the Committee has recommended that the audited financial statements of Sobha Developers Limited for the year ended March 31, 2008, be accepted by the Board as a true and fair financial statement of the Company.

The Committee has recommended to the Board the appointment of M/S S.R. Batliboi & Associates, Chartered Accountants, as the statutory auditors of the Company to hold the office till the conclusion of the next Annual General Meeting and that the necessary resolutions for appointing them as statutory auditors be placed before the shareholders.

The Committee believes that it has complied with its responsibilities as outlined in the terms of reference and its formation.

Sd/-

Bangalore
May 30, 2008

R.V.S. Rao
Chairman, Audit Committee

2. INVESTORS' GRIEVANCE COMMITTEE

The Investors' Grievance Committee of the Company was constituted on June 28, 2006 in accordance with the provisions of Clause 49 of the Listing Agreement(s).

The Composition

The Investors' Grievance Committee has three members out of which Dr. S.K. Gupta, an independent director, is the Chairman, and Mr. Ravi Menon and Mr. J.C. Sharma as Members of the Committee.

The Objective

This Committee is specifically responsible for the redressal of shareholders'/ investors' grievances related to non-receipt of Annual Reports, non-receipt of declared dividend, non credit of shares or refund in the IPO, etc The Committee also oversees the performance of the Registrar and transfer agents of the Company relating to the investors' services and recommend measures for improvement.

The composition, powers, role and terms of reference of the Committee are in accordance with the provisions of Clause 49 of the Listing Agreement(s).

The Terms of Reference

The terms of reference of the Investors' Grievance Committee, inter alia, include the following :

- Investor relations and redressal of shareholders' grievances in general and relating to non-receipt of dividends, interest, non-receipt of annual report, etc. in particular
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such a Committee

The composition and attendance of the members of the Investors' Grievance Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Dr. S. K. Gupta (Chairman)	Non Executive, Independent	4	4
Mr. Ravi Menon	Executive, Vice Chairman	4	4
Mr. J.C. Sharma	Managing Director	4	4

The quorum for the Committee is any two members present at the meeting.

The Chairman of the Board was also invited to attend the Committee Meeting. The Company Secretary and Compliance Officer of the Company acted as the Secretary to the Committee.

As per the resolution of the Board dated September 20, 2006, the Chairman of the Investors' Grievance Committee is entitled to a remuneration of Rs.100,000 per annum and is entitled to Rs.5,000 per meeting as sitting fees. The Investors' Grievance Committee met four times on May 14, 2007; August 13, 2007; October 29, 2007 and January 30, 2008 during the financial year 2007-08.

Investors' Grievance Committee report for the year ended March 31, 2008.

The Committee expresses its satisfaction with the Company's performance in dealing with investors' grievances.

The details of complaints received and resolved during the year is as follows:

Sl No.	Nature of complaints received	Received during the year	Resolved during the year	Pending as on March 31, 2008
1	Non-credit of shares	343	343	-
2	Non-receipt of refund	468	468	-
3	Correction in refund orders	81	81	-
4	Others	44	44	-
	Total	936	936	-

There were no outstanding complaints pending for redressal as on March 31, 2008. The shares of the Company were listed in BSE and NSE on December 20, 2006. The number of equity shares held in dematerialised form was 67,407,204 constituting 92.46% of the total number of shares of 72,901,733 as on March 31, 2008.

Sd/-

Bangalore
May 30, 2008

Dr. S K Gupta
Chairman,
Investors Grievance Committee

3. EXECUTIVE SELECTION AND REMUNERATION COMMITTEE

The Executive Selection and Remuneration Committee of the Company was constituted on May 14, 2007.

The Composition

The Executive Selection and Remuneration Committee has three members, out of which two are independent directors namely Mr. Anup Shah, Chairman and Mr. R.V.S. Rao, member. Mr. J.C. Sharma, Managing Director of the Company is also a member of the Committee.

The Objective

The Executive Selection and Remuneration Committee has been constituted to recommend and review compensation plans of the Managing Director, whole-time directors and the senior management, based on their performance, defined assessment criteria and job responsibilities.

The Terms of Reference

The following are the terms of reference of the Executive Selection and Remuneration Committee:

- To review and approve / recommend the remuneration for the Whole-time directors of the Company and Senior Management Personnel of the Company
- To review and recommend to the Board the remuneration policy of the Company
- To review the Key Result Areas for Executive Directors and Management Council members and Senior Management Personnel
- To review the remuneration package offered by the Company to different grades of its employees
- Produce an annual report on executive compensation for inclusion in the Company's annual report, in accordance with applicable rules and regulations
- Take all necessary steps for the administration of the Employee Stock Option Scheme or the Employee Stock Purchase Scheme
- To perform such functions as may be detailed in the Remuneration Committee under Schedule XIII of the Companies Act, 1956
- To perform such functions as may be performed by the Selection Committee under the provisions of Directors Relatives (Office or Place of Profit) Rules 2003 read with Section 314 of the Companies Act, 1956
- To approve grant of stock options to the employees and / or directors of the Company and its subsidiaries
- To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time

The composition and attendance of the members of the Executive Selection and Remuneration Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. Anup Shah (Chairman)	Non Executive, Independent	1	1
Mr. R.V.S. Rao	Non Executive, Independent	1	1
Mr. J.C. Sharma	Managing Director	1	1

The quorum for the meeting shall be any two members present in the meeting.

As per the resolution of the Board dated May 14, 2007, the Chairman of the Executive Selection and Remuneration Committee is entitled to a remuneration of Rs. 100,000 per annum and independent directors who attend the committee are entitled to Rs.5,000 per meeting as sitting fees.

4. SHARE TRANSFER COMMITTEE

The Share Transfer Committee of the Company was constituted on December 12, 2006.

The Composition

The Share Transfer Committee has three members, namely, Mr. P.N.C. Menon, Mr. Ravi Menon and Mr. J.C. Sharma.

The Objective

The Share Transfer Committee is specifically responsible for the redressal of shareholders'/ investors' grievances related to transfer, split, consolidation and rematerialisation of shares.

The Terms of Reference

The important terms of reference of the Share Transfer Committee are:

- To look into the requests of Transfer and Transmission of Shares
- To look into the requests for the dematerialization of Shares
- To issue duplicate share certificate in lieu of the original share certificate
- To issue split Share Certificate as requested by the member
- To take all such steps as may be necessary in connection with the transfer, transmission, splitting and issue of duplicate share certificate in lieu of the original share certificate.

The composition and attendance of the members of the Share Transfer Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. P. N. C. Menon (Chairman)	Chairman	2	None
Mr. Ravi Menon	Vice Chairman	2	2
Mr. J.C. Sharma	Managing Director	2	2

The quorum for the meeting shall be any two members present in the meeting.

The Share Transfer Committee held two meetings during the financial year 2007-08 on April 30, 2007 and March 03, 2008.

5. EXECUTIVE COMMITTEE

The Executive Committee of the Company was constituted on October 28, 2006.

The Composition

The Executive Committee has three members namely, Mr. P.N.C. Menon, Mr. Ravi Menon and Mr. J.C. Sharma.

The Objective

The Executive Committee is specifically responsible for authorising or nominating people to represent the Company for various purposes, when those activities are not specifically covered by any other committee formed by the Board.

The Terms of Reference

The following are the terms of reference of the Executive Committee:

- Authorizing representatives of the Company to make application for obtaining registration certificate under various statutes
- Authoring Representative(s) of the Company to represent before various judicial/statutory/revenue authorities like Courts, Income Tax, Sales Tax, Professional Tax, Provident Fund, Excise, Customs, Reserve Bank of India, DGFT etc.
- To make application for obtaining contractors license
- Such other functions which are day to day in nature.

The composition and attendance of the members of the Executive Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. P.N.C. Menon (Chairman)	Chairman	6	None
Mr. Ravi Menon	Vice Chairman	6	6
Mr. J.C. Sharma	Managing Director	6	6

The quorum for the meeting shall be any two members present in the meeting.

The Executive Committee held six meetings during the financial year 2007-08 on July 03, 2007; August 28, 2007; September 14, 2007; November 19, 2007; December 14, 2007 and March 12, 2008.

6. INVESTMENTS AND BORROWINGS COMMITTEE

The Investments and Borrowings Committee of the Company was constituted on July 24, 2006.

The Composition

The Investments and Borrowings Committee has three members namely, Mr. Ravi Menon, Mr. J.C. Sharma and Mr. Pradumna Kanodia.

The Objective

The Investments and Borrowings Committee is specifically responsible for raising and investing funds through banks, financial institutions or any other entities. This Committee is also responsible for all procedural aspects of any financial transaction not specifically covered by any other committee formed by the Board.

The Terms of Reference

The following are the terms of reference of the Investments and Borrowings Committee:

- To submit proposals to banks and financial institutions or term lending financial institutions for availing various short-term and long-term credit facilities not limited to term loans or cash credit or any such other items
- To accept the terms and conditions contained in communication issued by prospective lenders whether partially or in full
- To open the bank accounts on behalf of the Company not limited to current account, cash credit account, overdraft account, deposit account etc.
- To accept the unsecured loans on such terms and conditions as they may deem fit
- To enter into derivative transactions
- To make or sell investments (shares, mutual fund units etc) on behalf of the Company
- To sign agreements of loan / investment with various financial institutions for effecting the borrowing, lending or investment as the case may be.

The composition and attendance of the members of the Investments and Borrowings Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. J.C. Sharma (Chairman)	Managing Director	23	23
Mr. Ravi Menon	Vice Chairman	23	23
Mr. P. Kanodia	Chief Financial Officer	23	23

The quorum for the meeting shall be any two members present in the meeting.

The Investments and Borrowings Committee held twenty three meetings during the financial year 2007-08 on April 26, 2007; May 09, 2007; June 18, 2007; July 02, 2007; August 10, 2007; September 04, 2007; September 26, 2007; October 11, 2007; October 13, 2007; October 15, 2007; October 24, 2007; November 06, 2007; November 16, 2007; December 14, 2007; December 17, 2007; December 18, 2007; December 21, 2007; December 24, 2007; January 21, 2008; January 28, 2008; March 11, 2008; March 24, 2008 and March 29, 2008.

7. PRICE REVISION COMMITTEE

The Price Revision Committee of the Company was constituted on September 20, 2006.

The Composition

The Price Revision Committee has four members namely, Mr. Ravi Menon, Vice Chairman, Mr. J.C. Sharma, Managing Director; Mr.P. Gopalkrishnan, Executive Director and Mr. Raghav Menon, Executive Vice President – Sales & Marketing. The Price Revision Committee was reconstituted on December 20, 2007, by inducting additional members to increase the efficiency of the Company.

The Objective

This Price Revision Committee was formed to overview the pricing policy of the Company pertaining to both the contractual as well as residential projects undertaken by the Company from time to time.

The composition and attendance of the members of Price Revision Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. J.C. Sharma (Chairman)	Managing Director	6	6
Mr. Ravi Menon	Vice Chairman	6	1
Mr. P. Gopalkrishnan*	Executive Director	6	1
Mr. Raghav Menon*	Executive Vice President – Sales & Marketing	6	1
Mr. Jackbastian K Nazareth**	Executive Director – Sales and Marketing	6	5

* Mr. Ravi Menon, Vice Chairman; Mr. P. Gopalkrishnan, Executive Director and Mr. Raghav Menon, Executive Vice President – Sales & Marketing were inducted into the Price Revision Committee on December 20, 2007.

** Mr. Jackbastian Nazareth, Executive Director – Sales and Marketing, ceased to be a member with effect from December 20, 2007.

The quorum for the meeting shall be any two Members present in the meeting.

The Price Revision Committee held six meetings during the financial year 2007-08 on April 06, 2007, July 05, 2007, September 05, 2007, September 17, 2007, September 20, 2007 and December 20, 2007.

Code of Conduct

In terms of Clause 49 of the Listing Agreement, the Company had adopted a Code of Conduct for the Board of Directors and senior management personnel of the Company. The same has been placed in the website of the Company. The code has been circulated to all the members of the Board and senior management personnel and the compliance of the same is affirmed by them annually. The Declaration signed by the Managing Director of the Company forms part of this Report.

DECLARATION BY THE MANAGING DIRECTOR

This is to confirm that the Company has adopted a Code of Conduct for its Board Members and the senior management personnel and the same is available on the Company's website.

I confirm that the Company has, in respect of the financial year ended March 31, 2008, received from the senior management personnel of the Company and the members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

Sd/-

Bangalore
April 10, 2008

J.C. Sharma
Managing Director

INSIDER TRADING CODE

The Company has adopted the Employee Share Dealing Code as per the terms of the SEBI (Prohibition of Insider Trading) Regulations 1992. This code is applicable to all directors and designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

The Company regularly monitors transactions in terms of the Employee Share Dealing Code undertaken by the employees of the Company. The Company also informs the Stock Exchanges(s) periodically about transaction(s) undertaken by designated employees and their share holdings as per the regulations

GENERAL BODY MEETINGS

Details of the last three Annual General Meetings are as follows:

Financial Year ended	Date	Time	Venue
March 31, 2007	August 13, 2007	02.30 p.m.	NIMHANS Convention Centre, Hosur Road, Bangalore – 560 029.
March 31, 2006	September, 13, 2006	10.00 a.m.	Registered Office of the Company
-	June 28, 2006*	10.00 a.m.	Registered Office of the Company
-	May 8, 2006*	10.00 a.m.	Registered Office of the Company
March 31, 2005	August 30, 2005	10.00 a.m.	Registered Office of the Company

* Extraordinary General Meeting

SPECIAL RESOLUTIONS

12th Annual General Meeting held on August 13, 2007

- Increase in the Authorized Share Capital of the Company.
- Revision of Managing Director's remuneration.
- Appointment of Mr. P.N. Haridas under Section 314 of the Companies Act, 1956.
- Appointment of Mr. Shine V. Nair under Section 314 of the Companies Act, 1956.

11th Annual General Meeting held on September 13, 2006

- Authorizing the Board to make inter corporate loans / guarantees / investments by the Board of Directors to the tune of Rs. 20,000,000,000 (Rupees Twenty Thousand Million Only) under Section 372A of the Companies Act, 1956.
- Payment of remuneration to Non Executive Directors of the Company under Section 309 of the Companies Act, 1956 subject to a limit of 1 % (One Percent) of the net profits in any financial year computed in the manner as provided in Section 198(1), 349 and 350 of the Companies Act, 1956.

Extraordinary General Meeting held on June 28, 2006

- Increase in the Authorized Share Capital of the Company.
- Issue of Bonus Shares.
- Approval for issue of equity shares by way of an IPO under Section 81(IA).
- Revision of Managing Director's remuneration.

Extraordinary General Meeting held on May 8, 2006

- Conversion of Private Limited Company into a Public Limited Company.
- Alteration in the Articles of Association.
- Power to make inter corporate loans or investments or give any guarantee or security.
- Power to borrow money in excess of the paid up share capital of the Company and reserves.
- Power to contribute to the charitable or other funds not relating to the business of the Company.
- Ratification of appointment of Chairman of the Company and fixing remuneration.
- Ratification of appointment of Managing Director and fixing remuneration.
- Ratification of appointment of Vice Chairman of the Company and fixing remuneration.
- Ratification of appointment of Executive Director and fixing remuneration.

10th Annual General Meeting held on August 30, 2005

Increase in the authorised share capital of the Company.

Postal Ballots

There are no ordinary or special resolutions that need to be passed by the shareholders through a postal ballot for the year ended March 31, 2008.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the Members of Sobha Developers Limited,

I have examined all the relevant records of Sobha Developers Limited for the purpose of certifying compliance of the conditions of corporate governance under Clause 49 of the Listing Agreement with Stock Exchanges for the financial year ended March 31, 2008. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of certification.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the said listing agreements.

Bangalore
May 30, 2008

Nagendra D.Rao
Practising Company Secretary
"Shree Ranga", 130, 4th Main,
Anjaneyanagar,
Banashankari 3rd Stage,
Bangalore-560 085.
Membership No. FCS-5553
Certificate of Practice No. 7731

MEANS OF COMMUNICATION

The quarterly, half yearly and annual results are published in the Economic Times and Vijaya Karnataka (regional language newspaper where the registered office of the Company is situated). As per Clause 51 of the Listing Agreement with Stock Exchange(s), financial results and shareholding pattern are filed on the Electronic Data Information filing and Retrieval (EDIFAR) website maintained by SEBI. The above information can also be viewed at the common portal platform www.corpfilings.in maintained by both NSE and BSE.

The above results are also displayed on the website of the Company - www.sobhadevelopers.com.

Press releases made by the Company from time to time are informed to the Stock Exchange(s) and are also uploaded on the website of the Company.

The Directors Report, Management Discussion and Analysis Report, letter to the shareholder and the Corporate Governance Report form part of the Company's Annual Report.

The Company has designated a separate e-mail id called investors@sobha.co.in for investors servicing.

UNCLAIMED DIVIDENDS

Under the Companies Act, 1956, dividends that remain unclaimed for a period of seven years are required to be transferred to Investor Education and Protection Fund administered by the Central Government.

Given below is a table providing the dates of declaration of dividend after the shares were listed and the corresponding date when unclaimed dividends are due to be transferred to the Central Government :

Financial year	Date of declaration of dividend	Last date for claiming unpaid dividend	Unclaimed amount (Rs.)	Due date for transfer to Investor Education and Protection Fund
2006-07	August 13, 2007	August 12, 2014	Rs. 214,803	September 11, 2014

Fees paid to Statutory Auditors

During the financial year 2007 – 08, the following fees have been paid to the statutory auditors of the Company.

	(Rs. in. Million)
Audit Fees	2.25
Other Services [includes fees for quarterly reviews]*	1.85
Out of pocket expenses (excluding service tax)	0.08
Total	4.18

*Includes Rs. 0.35 Million paid to the erstwhile auditors, M/s S. Janardhan & Associates, Chartered Accountants.

DISCLOSURES

a. There are no materially significant related party transactions, which may cause a potential conflict with the interests of the Company at large.

b. The Company has complied with the requirements of the Stock Exchanges / SEBI / any other statutory authority on all matters related to capital markets. There are no penalties or strictures imposed on the Company by the Stock Exchanges / SEBI / any other statutory authority relating to the above.

c. The Company has fulfilled the following non-mandatory requirements:

- The Company has constituted an Executive Selection and Remuneration Committee.
- There are no qualifications in the Auditors' Report pertaining to the financial statements for the financial year 2007 – 08.
- The Company has a Whistle Blower Policy wherein a mechanism has been devised to report to the management concerns about unethical behavior, actual or suspected fraud or violation of company's code of conduct and it is confirmed that no personnel have been denied access to the Audit Committee.

MANAGEMENT REVIEW AND RESPONSIBILITY

WHISTLE-BLOWER POLICY

The Company has established a mechanism for employees to report concerns about unethical behaviour, actual or suspected frauds, or violation of our code of conduct or ethics policy. The mechanism also provides for adequate safeguards against victimization of employees who avail this mechanism and also provide for direct access to the reporting authority of the Company.

Disclosures regarding appointment or re-appointment of directors

According to the Articles of Association, one-third of the directors retire by rotation and, if eligible, offer themselves for re-appointment at the Annual General Meeting of the shareholders. By the terms of the Article 107, 108 and 109 of Articles of Association, Dr. S.K. Gupta and Mr. R.V.S. Rao, independent directors, will retire in the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring directors. The detailed resumes of all these directors are provided in the Notice to the Annual General Meeting.

Details of non-compliance

There has been no occurrence of non-compliance of any legal requirements nor has there been any restriction imposed by any Stock Exchange, SEBI, on any matters relating to the capital market over the last three years.

Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement

Clause 49 of the Listing Agreement requires obtaining a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance and annexing the certificate with the Director's Report. We have obtained a certificate to this effect and the same is given as an annexure to the Directors' report. The Clause further states that the non-mandatory requirements may be implemented as per the Company's discretion. However, the disclosures on compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be made in the Corporate Governance Report of this Annual Report. The Company complies with the following non-mandatory requirements:

a) The Board

Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board. None of the independent directors on the Board has served for a tenure exceeding nine years from the date when the new Clause 49 became effective.

b) Remuneration Committee

The Company has formed an Executive Selection and Remuneration Committee. A detailed note on this committee is provided elsewhere in the report.

GENERAL SHAREHOLDER INFORMATION

The Company is registered in the State of Karnataka, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is U45201KA1995PLC018475

Registered Office of the Company:
E-106, Sunrise Chambers, 22, Ulsoor Road,
Bangalore – 560 042.

Annual General Meeting

Date: July 24, 2008
Time: 02.00 p.m.
Venue: NIMHANS Convention Centre, Hosur Road,
Bangalore – 560 029.

Financial Calendar:
(Tentative and subject to change for the financial year 2008 – 09)

Financial Year: April 01, 2008 to March 31, 2009

Quarter ending	Release of Results
June 30, 2008	Fourth week of July 08
September 30, 2008	Fourth week of October 08
December 31, 2008	Fourth week of January 09
March 31, 2009	Fourth week of May 09

Date of Book Closure

July 18, 2008 to July 24, 2008 (Both days inclusive)

Dividend Payment Date

The final dividend, if approved by the shareholders, shall be paid on or after July 24, 2008, within the statutory time limit of 30 days.

LISTING OF EQUITY SHARES

The equity shares of the Company are listed on the following stock exchanges along with the stock code / symbols:

1	Bombay Stock Exchange Limited	532784
2	The National Stock Exchange of India Limited	SOBHA

ISIN for Equity Shares : INE671H01015

Listing fees for the year 2008-09

The annual listing fees have been paid up to date by the Company to BSE and NSE.

Stock Market Data

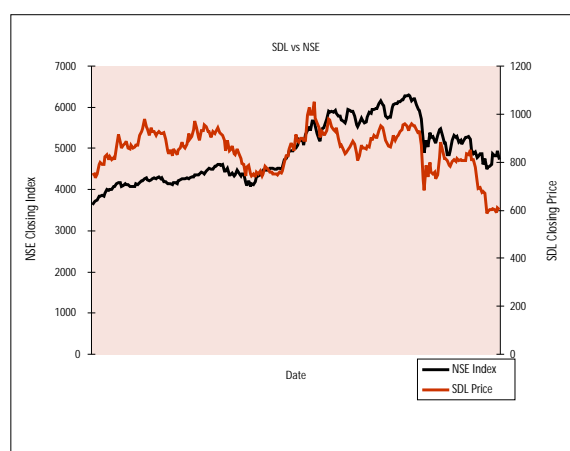
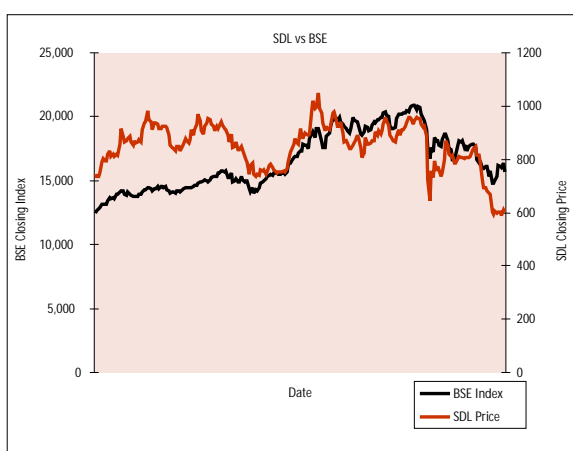
The monthly high/low/average quotations and the volume of the Company's shares traded on stock exchanges are as follows:

MONTH	Bombay Stock Exchange (BSE)				National Stock Exchange (NSE)				TOTAL	
	HIGH	LOW	AVERAGE	VOLUME	HIGH	LOW	AVERAGE	VOLUME		
	Rs.	Rs.	Rs.	No.	Rs.	Rs.	Rs.	No.		
April - 07	935.00	726.50	826.68	3,241,998	935.00	726.50	827.17	7,301,775	10,543,773	
May - 07	985.00	845.00	912.71	2,151,064	987.40	843.00	912.90	4,367,345	6,518,409	
June - 07	968.60	811.65	890.88	1,389,558	968.50	817.10	887.37	2,855,163	4,244,721	
July - 07	984.00	840.00	932.50	1,570,449	985.00	837.60	931.20	3,242,132	4,812,581	
August - 07	929.90	725.00	791.02	619,817	878.00	711.10	792.03	1,279,980	1,899,797	
September - 07	924.00	746.05	820.17	761,339	930.00	741.45	817.80	2,199,657	2,960,996	
October - 07	1,060.00	868.00	953.23	1,197,370	1,060.00	864.60	948.17	3,017,086	4,214,456	
November - 07	969.70	799.00	877.18	286,838	970.00	795.10	875.56	1,056,625	1,343,463	
December - 07	989.95	845.00	923.38	423,120	1,049.95	847.00	923.34	2,042,944	2,466,064	
January - 08	1,041.10	590.00	942.39	729,170	1,049.95	580.05	894.73	3,161,903	3,891,073	
February - 08	895.70	726.00	802.94	213,719	899.85	730.00	810.11	931,140	1,144,859	
March - 08	847.95	573.20	661.81	221,607	838.00	575.00	672.20	1,052,455	1,274,062	
For the year*	1,060.00	573.20	878.46	12,806,049	1,060.00	575.00	872.24	32,508,205	45,314,254	
Volume traded / outstanding shares **				17.57%					44.59%	62.16%

* For the year represents the yearly high, yearly low, yearly average and total volume of shares traded during the year.

**The number of shares outstanding is 72,901,733 as on March 31, 2008, have been considered for the above calculation, out of which 14,580,348 are under "lock in period".

The closing price of the Company in NSE and BSE vs the closing Index of the respective exchanges during the year 2007-08 is given below.



The Shareholding Pattern of the Company as on March 31, 2008, as per Clause 35 of the Listing Agreement entered with the Stock Exchanges is as under:

Category Code	Category of Shareholders	Number of Shareholders	Total Number of Shares	No. of Shares held in Dematerialized Form	Total Shareholding as a Percentage of Total Number of Shares	
					As a Percentage of (A+B)	As a Percentage of (A+B+C)
A)	Shareholding of Promoter & Promoter group					
1	Indian					
a	Individuals / Hindu Undivided Family	2	90,000	90,000	0.12	0.12
b	Central / State Government(s)	-	-	-	-	-
c	Bodies Corporate	-	-	-	-	-
d	Financial Institutions / Banks	-	-	-	-	-
e	Any other	-	-	-	-	-
	SUB TOTAL (A)(1)	2	90,000	90,000	0.12	0.12
2	Foreign					
a	Individuals (Non-Resident Individuals / Foreign Individuals)	4	63,331,380	57,836,943	86.87	86.87
b	Bodies Corporate	-	-	-	-	-
c	Institutions	-	-	-	-	-
d	Any Other	-	-	-	-	-
	SUB TOTAL (A)(2)					
B)	Total Shareholding of Promoter And Promoter Group (A)=(A)(1)+(A)(2):	4	63,331,380	57,836,943	86.87	86.87
	Public Shareholding	6	63,421,380	57,926,943	87.00	87.00
1	Institutions					
a	Mutual Funds / UTI	13	390,645	390,645	0.54	0.54
b	Financial Institutions / Banks	5	571,650	571,650	0.78	0.78
c	Central / State Government(s)	-	-	-	-	-
d	Venture Capital Funds	-	-	-	-	-
e	Insurance Companies	1	1,759	1,759	0.00	0.00

Cont'd.

Category Code	Category of Shareholders	Number of Shareholders	Total Number of Shares	No. of Shares held in Dematerialized Form	Total Shareholding as a Percentage of Total Number of Shares	
					As a Percentage of (A+B)	As a Percentage of (A+B+C)
f	Foreign Institutional Investors	51	5,869,246	5,869,246	8.05	8.05
g	Foreign Venture Capital Investors	1	2,000	2,000	0.00	0.00
h	Any Other	-	-	-	-	-
	Sub Total (B)(1)	71	6,835,300	6,835,300	9.37	9.37
2	Non - Institutions					
a	Bodies Corporate	682	446,780	446,760	0.61	0.61
b	i. Individual Shareholders holding nominal share capital up to Rs. 1 lac.	67,608	1,478,451	1,478,394	2.03	2.03
c	ii. Individual Shareholders holding nominal share capital in excess of Rs. 1 lac	5	94,323	94,323	0.13	0.13
	Any Others	-	-	-	-	-
	i. Clearing Member	143	68,593	68,593	0.10	0.10
	ii. Independent Directors	6	187,856	187,841	0.26	0.26
	iii. Foreign Nationals					
	iv. Non Resident Indians (Repat)	613	135,370	135,370	0.18	0.18
	v. Non Resident Indians (Non Repat)	-	-	-	-	-
	vi. Foreign Companies	2	11	11	-	-
	vii. Overseas Bodies Corporate	19	233,669	233,669	0.32	0.32
	viii. Trusts					
	SUB TOTAL (B)(2)	69,078	2,645,053	2,644,961	3.63	3.63
	Total Public Share Holding (B)=(B)(1)+(B)(2):	69,149	9,480,353	9,480,261	13	13
	Total Public Shareholding (A)+(B)	69,155	72,901,733	67,407,204	100.00	100.00
C)	Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-
	GRAND TOTAL (A+B+C)	69,155	72,901,733	67,407,204	100.00	100.00

Statement Showing Share Holding of Persons Belonging to the Category of "Promoters And Promoter Group"

Sl. No.	Name of Shareholder	No. of Shares	%
1	Mr. P.N.C. Menon	16,488,522	22.62
2	Mrs. Sobha Menon	41,348,421	56.72
3	Mr. P.N.C. Menon & Mrs. Sobha Menon	5,494,407	7.54
4	Mr. P.N.K. Mani	45,000	0.06
5	Mr. P.N. Haridas	45,000	0.06
6	Mr. Ravi Menon	30	0.00
Total		63,421,380	87.00

Statement Showing Share Holding of Persons Belonging to the Category "Public" and Holding more than 1% of the Total Number of Shares

Sl. No.	Name of Shareholder	No. of Shares	%
1	Lloyd George Investment Management	998,515	1.37
Total		998,515	1.37

Statement Showing Details of Locked-In Shares

Sl. No.	Name of Shareholder	Category of Shareholders (Promoters/Public)	No. of Locked-in Shares	%
1	Mr. P.N.C. Menon	Promoter	4,228,298	5.80
2	Mrs. Sobha Menon	Promoter	10,352,050	14.20
Total			14,580,348	20.00

Statement Showing Details of Depository Receipts (Drs)

Sl. No.	Name of Shareholder	No. of Shares	%
None		Nil	Nil
Total		Nil	Nil

Statement Showing Holding of Depository Receipts (Drs), where underlying Shares are in Excess of 1% of the Total Number of Shares

Sl. No.	Name of Shareholder	No. of Shares	%
None		Nil	Nil
Total		Nil	Nil

REGISTRARS AND TRANSFER AGENTS

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai 400 078.
Tel: (91 22) 2596 0320. Fax: (91 22) 2596 0329.

SHARE TRANSFER SYSTEM

Transfer of dematerialized shares is done through the depositories with out the involvement of the Company. Transfers of shares in the physical form are normally processed within 10 days from the date of the lodgment of transfer with the share transfer agents of the

Company at their address mentioned above. There have been no instances of transfer of shares in the physical form during the financial year 2007-08.

Distribution of Shareholding as on March 31, 2008:

Range of Equity Shares held	No. of Shareholders	%	No. of Shares	%
1 – 5000	68,535	99.10	1,163,938	1.60
5001 – 10000	324	0.50	211,825	0.29
10001 – 20000	131	0.20	179,803	0.25
20001 – 30000	40	0.06	98,307	0.14
30001 – 40000	21	0.03	71,940	0.10
40001 – 50000	12	0.02	53,821	0.07
50001 – 100000	26	0.04	187,062	0.26
100001 and above	66	0.10	70,935,037	97.30
Total	69,155	100.00	72,901,733	100.00

DEMATERIALISATION OF SHARES

As on March 31, 2008, 67,407,204 equity shares were held in the demat form constituting 92.46% of the total paid up share capital.

For the year ended March 31, 2008, the Company has received two rematerialization requests from members comprising of thirty equity shares for which the Company has issued physical share certificates.

The build up of equity share capital of the Company from the date of incorporation is as follows:

Date of allotment	No of equity shares issued	Reason for allotment	Cumulative No of Equity Shares
07-Aug-95	30	Subscribers to Memorandum	30
11-Feb-98	1,174,729	Further allotment of shares	1,174,759
16-Oct-98	1,934,823	Further allotment of shares	3,109,582
22-Dec-98	855,000	Further allotment of shares	3,964,582
25-Mar-99	3,000,000	Further allotment of shares	6,964,582
11-Jul-02	14,175,898	Further allotment of shares	21,140,480
28-Jun-06	42,280,960	Bonus Issue in the ratio of 2:1	63,421,440
28-Oct-06	97,245	Preferential allotment pre IPO placement to Bennett, Coleman & Co. Limited	63,518,685
28-Oct-06	486,223	Preferential allotment pre IPO placement to Kotak Mahindra Pvt. Equity	64,004,908
12-Dec-06	8,896,825	Trustee Limited Initial Public Offer	72,901,733

OUTSTANDING FINANCIAL INSTRUMENTS WHICH HAVE AN IMPACT ON EQUITY

There are no outstanding GDR's / ADR's / Warrants or any convertible instruments, conversion date which have a likely impact on Equity.

INVESTOR CONTACTS

In order to facilitate quick redressal of the grievances / queries, the Investors and Shareholders may contact the under mentioned address for any assistance:

For queries relating to financial statements

Mr. K Ramesh Babu
Asst Gen Manager-Finance
Tel: 91 80 25564980/81
E-mail: rameshbabuk.fin@sobha.co.in

For queries relating to shares/ dividend

Mr. K Suresh
Company Secretary & Compliance Officer
Tel: 91 80 4132 1198
E-mail: ksuresh@sobha.co.in

Alternatively investors and shareholders may feel free to e-mail at investors@sobha.co.in

SECRETARIAL COMPLIANCE REPORT

SECRETARIAL COMPLIANCE REPORT FOR THE YEAR ENDED MARCH 31, 2008.

To,
The Board of Directors,
Sobha Developers Limited,
Bangalore – 560 042.

I have examined the registers, records and papers of Sobha Developers Limited hereinafter referred to as ["the Company"], required to be maintained under the Companies Act, 1956 (hereinafter referred to as ("the Act"), rules made there under and also the provisions contained in the Memorandum of Association and Articles of Association of the Company for the year ended March 31, 2008.

On the basis of my examination as well as information and explanations furnished by the Company and the records made available to me, I report that:

1. The Company is a listed Company with the Bombay Stock Exchange Limited bearing Stock Code no. 532784 and National Stock Exchange of India Limited, bearing Stock Symbol "SOBHA".
2. The Company has kept and maintained all the requisite registers and other records required under the Act and the Rules made there under.
3. The Company has duly filed the requisite forms, returns and documents with the Registrar of Companies, Karnataka and other authorities as required under the Act and the Rules made there under.
4. The Board of Directors of the Company is duly constituted in accordance with the Act and in terms of the Clause 49 of the Listing Agreement entered by the Company with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited (herein after referred to as "the Stock Exchanges").

5. a. The Board of Directors of the Company met 4 times, during the financial year viz., May 14, 2007; August 13, 2007; October 29, 2007 and January 30, 2008 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book.

b. The Audit Committee constituted as per the requirement of Section 292A of the Act and listing agreement duly met 4 times during the financial year, viz., May 13, 2007; August 13, 2007; October 29, 2007 and January 30, 2008, in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book.

c. The Investors Grievance Committee constituted as per Clause 49 of the listing agreements, duly met 4 times during the financial year, viz., May 14, 2007; August 13, 2007; October 29, 2007 and January 30, 2008 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book.

d. The Executive Selection and Remuneration Committee constituted as per the requirement of Section 198, 269, 310 and 311 read with Schedule XIII to the Act and as per Clause 49 of the listing agreements duly met 1 time during the financial year, viz., May 14, 2007, in respect of which meeting, proper notice was given and the proceeding was properly recorded and signed in the Minutes Book.

e. The meetings of the other Committees of the Board were duly and properly convened and minutes of such meetings have been properly recorded and signed in the Minutes Book maintained for the said purpose.

6. The Company closed its Register of Members and Share Transfer Books from August 4th, 2007 to August 13th, 2007 (both days inclusive) and necessary compliance of Section 154 of the Act has been made.

7. The Annual General Meeting for the financial year ended on 31st March 2007 was held on August 13th, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

8. No Extraordinary General Meeting was held during the financial year.

9. The Company has kept the Register required to be maintained under section 301 of the Act and necessary particulars have been entered therein.

10. Pursuant to Section 314 of the Act in connection with the appointment of a relative of the Promoter Director, Viz. Mr. Shine V. Nair, the Company has obtained necessary approval from the Central Government, vide their letter no. 12/808/2007 – CL VII dated November 08, 2007.

11. The Company has appointed M/s Intime Spectrum Registry Limited, as its Registrar and Share Transfer Agents.

12. The Board of Directors has constituted a Share Transfer Committee. This Committee held 2 meetings during the period under report viz. April 30, 2007 and March 03, 2008. The above Committee has approved rematerialisation of shares. The proceedings of the above meeting have been properly recorded, signed in the Minutes book maintained for the purpose.

13. The Company has:

- (i) delivered all the certificates on lodgment thereof for rematerialisation of shares.

(ii) deposited the amount of dividend declared at the Annual General Meeting held on August 13th 2007, in a separate bank account on August 17th, 2007 with HDFC Bank Limited within 5 days from the date of declaration of such dividend in accordance with the provisions of Section 205 of the Act.

(iii) not effected any transfer of the amounts in the unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund as there were no cases.

14. The appointments of Managing Director, whole-time director and other directors of the Company have been made in accordance with the Articles of Association of the Company and the relevant provisions of the Act.

15. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of Section 299 of the Companies Act, 1956.

16. None of the Directors are disqualified under Section 274(1) (g) of the Act.

17. The Company has filed Din -3 intimating the details of all the Directors / Managing Director and Company Secretary of the Company with the Registrar.

18. The Company has filed the quarterly Secretarial Audit Report with the Stock Exchanges in compliance with the provisions of Regulation 55 A of the SEBI (Depositories and Participants) Regulations, 1996.

19. The Company has filed the Quarterly Corporate Governance Report and shareholding pattern with the Stock Exchanges in terms of Clause 49 and 35 respectively, of the Listing agreements.

20. The Company has filed the half yearly Compliance Certificate with the Stock Exchanges in terms of Clause 47(c) of the Listing agreements.

21. The Company has filed the Continual Disclosure in terms of Regulation 8 (3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with the Stock Exchanges.

22. The Company has not issued any shares during the financial year under scrutiny.

23. The Company has during the year under report, sold its investment in the equity shares of its subsidiary Company M/s SBG Housing Private Limited. M/s SBG Housing Private Limited ceases to be a subsidiary Company with effect from October 29, 2007.

24. The Company has issued 1,425 (One Thousand Four Hundred and Twenty Five only) Redeemable Non Convertible Debentures amounting to Rs. 5,250 Million (Rupees Five Thousand Two Hundred and Fifty Million only). The Company has issued 4,000 (Four Thousand only) Commercial Paper amounting to Rs. 2,000 Million (Two Thousand Million Only).

25. The Company has not issued any redeemable preference shares and as such there was no redemption of preference shares during the financial year. The Company has redeemed 1,525 Redeemable Non Convertible Debentures amounting to Rs. 4,000 Million (Rupees Four Thousand Million only) during the year under report.

26. The Company has not bought back any shares during the financial year.

27. The Company has not accepted any deposits from the general public in terms of the provisions of section 58A of the Companies Act, 1956.

28. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.

29. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.

30. The Company has not altered the provisions of the memorandum with respect to the name of the Company during the year under scrutiny.

31. The Company has altered the provisions of the Memorandum with respect to share capital of the Company at its Annual General Meeting of the Company held on August 13th 2007, during the year under scrutiny. The Authorised Share Capital of the Company is Rs.2,000,000,000 (Rupees Two Thousand Million Only) comprising of 80,000,000 (Eighty Million Only) Equity shares of Rs.10 (Rupees Ten only) each and 12,000,000 (Twelve Million only) Preference shares of Rs.100 (Rupees one Hundred Only) each. The amendments to the Memorandum of Association have been duly filed with the Registrar of Companies, Karnataka.

32. The Company has not altered its Articles of Association during the financial year under report.

33. There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment imposed on the Company during the financial year for offences under the Act.

Nagendra D.Rao
Practising Company Secretary
"Shree Ranga", 130, 4th Main,
Anjaneyanagar,
Banashankari 3rd Stage,
Bangalore-560 085.
Membership No. FCS-5553
Certificate of Practice No. 7731

Bangalore
May 30, 2008

I. Human Resource Management

“When the vision is for one year, cultivate flowers, where the vision is for ten years, cultivate trees, where the vision is for eternity, cultivate people” - Oriental saying.

Our Company believes that its most prized assets are its people. The Indian construction industry is facing the challenges on many fronts including outdated land and property ownership regulations, infrastructural bottle-necks and acute shortage of talent pool. The latter is the most critical concern for Human Resources Management. As our Company approaches higher thresholds of growth, expands operations and explore new avenues, it has become imperative to sustain and enhance its Human Resource competencies. Managing intellectual capital and motivating the personnel who make up the diverse workforce are factors critical to our Company's success. To meet these goals, the Company's Human Resources Policy focuses on the following:

Recruitment and Staffing

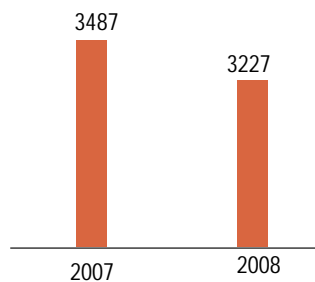
A Company's ability to fulfil customer expectations depends largely on its capability to attract, train, motivate, recognize the performers and retain employees with high potential to deliver with maximum efficiency.

Sobha's human assets are made up of both young and experienced teams. 78% of the workforce is in the 20 to 30 age category and more experienced people over the age of 30 years which form the balance 22%. The average age of an employee is 28 years.

Manpower

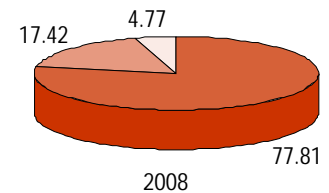
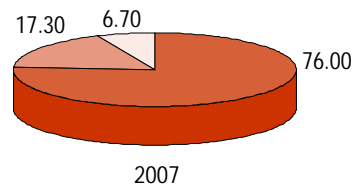
Starting as a 200 member firm, Sobha now has over 3,000 permanent staff. As the Company sees an increase in its employee strength, it has now shifted its focus towards productivity. The Company is keen on retaining the existing manpower with increased productivity with its concentrated training and eliminating various wastages in the processes. The Company believes that a growing organization needs to be a lean organization. Only such organizations are flexible and adept towards change. The Company as an organization is focused on equipping itself with the latest trends in people practices. The graph below indicates the trend in the Company's manpower.

Manpower Trend



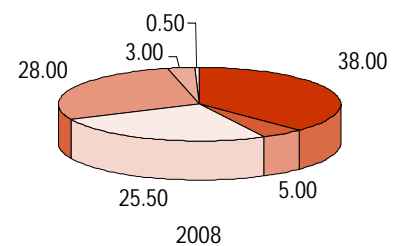
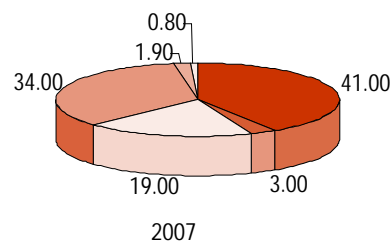
Employee strength - Age wise

Description	As on March 31,			
	2008	%	2007	%
Less than 30 Years	2511	77.81	2650	76.00
30 - 40 Years	562	17.42	603	17.30
More than 40 Years	154	4.77	234	6.70



Qualification wise break up

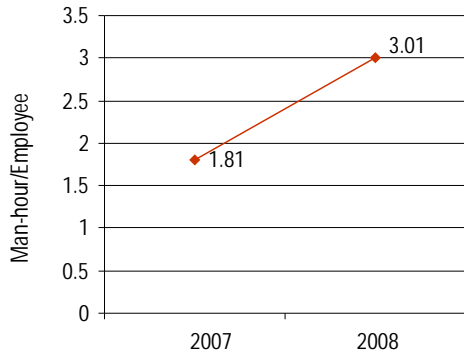
Category	2008	%	2007	%
Engineering Graduates	1211	38.00	1423	41.0
Post Graduates	159	5.00	106	3.00
Graduates + Others	823	25.50	667	19.0
Diploma Holders	917	28.00	1192	34.0
Architects	99	3.00	68	1.90
Chartered Accountants	18	0.50	30	0.80



Training

The HR Training is focussed on imparting training in both behavioural and technical training other than building construction related faculties. For this Sobha has established an overall training policy. Today with the application of ERP software an employee can nominate himself online for training programmes.

Behavioural Training Trend



In-house training has been a key focus area for the Company. Structured programs in the area of technical and functional skill enhancement are conducted, which are result-oriented and tailor-made to cater to the skill requirements of Sobha.

In-house faculty has also been developed to conduct training programs in behavioural areas like Interpersonal skills, Presentation skills, Personality development, Leadership Skills etc. To assess the effectiveness of these programmes, feedback is sought from participants on a regular basis.

Organizational Development Interventions

Our Performance Management System is based on Competency Models and yearly evaluations directed toward the employees' career development plans. This year for the first time the Company has done the entire appraisal process via the ERP system. With the career progression chart also in place, Sobha has given clarity and direction to its employees to chalk out their growth in the organization.

Implementation of Human Resources Information System – ERP module

The Company has also successfully implemented an intranet based HR ERP module for the benefit of its employees. This provides the employee relevant information on a variety of issues related to their employment details, training, and appraisals. By introducing technology, Sobha is moving towards a paperless work environment. This intranet has benefited in terms of better channels for communication, transparency, saving time and ultimately resulting in cost reduction.

Online Employee Satisfaction Survey

Employee Satisfaction Survey was conducted and employees have given a very good feedback in identifying with the mission, vision and philosophy of the Organization, growth opportunities and fair appraisal.

Other Initiatives

Maintaining Work Life Balance of our Employees:

The Company has also been working towards creating a culture of togetherness and teamwork amongst employees and has organized culture building activities like out-bound training programs for this purpose. To bring out the talents in its employees, the Company participated in an Inter-Corporate Culture Festival and won many prizes.

In a fast paced work environment, the Company provides opportunities for employees to take a break from their routine work, to make them comeback rejuvenated. The Company has made it mandatory for all departments to organize departmental picnics ensuring rejuvenation of intra-departmental communication.

The HR-Helpdesk

To address day to day employee grievances the Company has a HR-Helpdesk. Closures of all issues are made with minimum lead time.

Sl. No.	Month	Description
1	April 07	Knowledge Sharing Sessions Introduced in Management Review Meetings
2	April 07	First Train the Trainers Workshop conducted
3	April 07	25 TH Induction Program Conducted
4	July 07	Participated in Best Companies to Work for Survey by Mercer Group
5	August 07	Managerial Effectiveness Workshop for all Assistant Managers and above started
6	September 07	Participation in Inter corporate Cultural Festival
7	November 07	HR – Help Desk introduced
8	December 07	Participation in Compensation Survey
9	December 07	Introducing Stress Management Workshops for Employees
10	December 07	Appraisal Module Roll out through ERP system
11	January 08	Online Internal Employee Satisfaction Survey conducted
12	March 08	Annual Health Check up for Managers and above introduced

Culture, Values and Leadership

Managing culture and understanding its relevance to business requires a number of issues to be addressed. These include leadership, communication and meetings in day-to-day organizational life.

We have been acknowledged globally not just for our quality and perfection but also for our positive work culture and ethical value systems. The Indian construction Industry has seen a phenomenal growth in the past few years and subsequently the employee strength has also been increasing drastically. This unexpected growth brings with it the risk of not being able to ensure consistency in culture and core values. It's our strong belief that people make an organization, define its character, shape its personality and services,

and drive its reputation. This is important as we have grown from a 200 member company to more than 3000 employees in the last 5 years.

We have set certain standards of behaviour expected of our employees. We call them the nine behavioural competencies. An employee is recruited, appraised, recognized on this set of behaviour. Through this we are bringing out our corporate values and standards of behaviour that specifically reflect the objectives of the organization. Being a construction Industry, we have employees working in projects at various locations across the country so also our offices and with this standard set of behaviours we have instilled uniformity in our culture.

The Nine Behavioural Standards that brings uniformity across the organization:

Customer Orientation	Ability to orient and drive self and others to delight the customer
Delivery Excellence	Ability to achieve best-in-class results through the successful completion of challenging activities and delivery of services
Team Leadership	This competency is about both "leading a team" and "working in teams"
Passion for Results	Doing one's work to achieve a standard of performance excellence
Planning and Decision Making	Ability to methodically translate goals into workable action plans
Innovation Orientation	Ability to utilise experience and resourcefulness to generate ideas, innovate, recognise opportunities and develop better ways of doing things
People and Capability Development	Willingness and ongoing commitment to foster learning and development of self and others
Personal Effectiveness and Integrity	Inspiring others by displaying qualities in line with aspects like self-belief/ confidence, transparency, trust, respect and integrity and being "sensitive to others", the ability to understand thoughts and concerns of others
Impact and Influence	Reflects a person's ability to persuade, convince, influence others in order to get them to support the organization's goals in a direct or indirect manner

There are quite a few similarities between the Information Technology Industry and the Construction Industry, both work on strict deadlines and project orientation. The only difference was in the application of technology. With the implementation of ERP system across the organization including projects where the employee at site does his appraisal, gets his pay slip, applies leave online. This has brought about more commonality between the two industries.

Competition for senior management in the industry is intense. The loss of any member of our senior management or other key personnel may have an adverse impact on business. We have developed a Competency Based Performance Management System. By bringing

in place this system we have ensured that an employee's growth is not determined by attaining results alone but also by building and assessing his technical and behavioural skills periodically. This brings about a gradual change in employees that will help them to be equipped with a standard set of positive traits required for a successful organization. This system brings out successful leaders in the long run fitting the company practices.

We are sure with the robust systems and process in place, Sobha is capable of meeting the current and future requirement of leadership team who are imbued with values and culture and to bring about a transformation in the construction domain.

II. Sobha Academy

Tradesmen Training

Our Company employs systematic training programs for our employees in order to equip them with suitable skill and knowledge sets, thus enabling them to deliver effective and quality output. Sobha Academy set up at Jakkur, Bangalore, is a unique center for learning which offer workplace skill development programs. The Academy is guided by the philosophy of continuous training and development of human resources. For every recruit joining Sobha a comprehensive orientation program is conducted during the induction period to the Company. Additionally, each department organizes its own specialized training sessions for their employees.

In order to infuse the requisite proficiency in our employees, the Technical Training Department at Sobha designs and coordinates modules related to all facets of technical training. All our engineers and supervisors of civil, planning, safety and quality departments are put through a weeklong preliminary training program during their induction phase. These training sessions, conducted at different project sites, are aimed at providing all round training on the processes followed at Sobha sites with specific emphasis upon critical activities and safety procedures. In the year 2007-08, 367 new recruits were put through this training program.

Sobha Academy conducts courses for tradesmen, who are the key resource at every project site. Fresh recruits, mainly from under-developed regions of the country, are given intense training to make them adept in particular trades like tiling, granite masonry, gypsum works, water-proofing, electrical and plumbing works. A total of 589 tradesmen have undergone basic training in 6 trades during the year. The tradesmen training division of the Academy is part of Sobha's corporate social responsibility initiatives.

The Academy also organizes Field Training, where qualified trainers visit different project sites and conducts onsite training sessions on a regular basis. So far 1129 employees have benefited from this novel and interactive training sessions. Another unique method called Reverse Training is organized at project sites on a daily basis, where an employee is nominated by rotation, to instruct upon a particular topic or procedure to the rest of the team.

The Technology Center

The significance of research and technology in today's economies is undisputed and continues to grow. At Sobha quality is our top priority and we are continuously engaged in finding efficient ways to attain highest quality standards in the industry with maximum efficiency. At our Technology Center we are continuously researching and developing new methods and ideas. We are also engaged in prototype development towards investigating innovative and practical construction solutions.

Sobha Technology Manual[®]

Sobha Technology Manual[®] is an exclusive and detailed hand book on civil engineering aspects of building construction. Written in an easy-to-read format with detailed illustrations and diagrams, the manual offers complete coverage of procedures followed at Sobha project sites. It also includes supplementary information elaborating upon the activities.

This year Sobha Academy has commenced a specialized professional course for civil engineering graduates called the Construction Engineering and Management Program. This course provides focused training on civil engineering project management with the unique objective of creating powerful project managers.

III. Environment, Health and Safety

Sobha Developers Limited is a leading real estate developer and construction company in India having its own Project Management Team for all residential and contractual projects. Sobha is well known for its high quality construction standards which has been possible because of strong system and process implementation at all levels.

We want to assure stakeholders, including customers, employees, vendors and the community at large, of our commitment to achieving the Environmental, Health & Safety goals defined in our EHS policy and being benchmarked as the standard in the construction industry.

The top management's commitments are clearly visible towards all EHS aspects. They strive towards managing them in a structured/systematic manner by establishing an effective and dedicated system across the Sobha group to achieve excellence in EHS Management.

The EHS Policy has been framed to establish a sound EHS Management System to achieve sustainable development at all levels across our organization.

The EHS Policy is communicated to all concerned who work for and work on behalf of Sobha Developers Ltd. to invite their contribution in our endeavour to safeguard our environment and to improve health and safety at our work places.

Pocket-sized Policy cards have been distributed to all concerned.

Being a socially and environmentally responsible organization, Sobha ensures that all legal and statutory requirements are complied with, well in advance for all its construction projects. MOEF Clearance for its residential projects one such process. A full-fledged Environmental Department is in place to ensure that Rapid Environmental Impact Assessment is being carried out with the intention of safeguarding and establishing monitoring activities to avoid / minimize detrimental environmental impact due to the existence of the project.

A regular environmental assessment against prescribed parameters is being carried out through out the project cycle and records are maintained.

Performance Monitoring and Measurement

EHS Objectives and targets at all relevant functional levels have been established for achieving continual improvement in our activities for protecting the environment and making all our sites safe working places through:

- * implementing various Management Programs
- * continuous monitoring and measuring the status of all EHS management programs

- * evaluating the effectiveness of operational control procedures
- * implementing corrective and preventive action towards identified deviations
- * incidents / accident monitoring
- * emergency preparedness (mock drills).

Best Practices adopted for Environment:

In line with the commitment underlined in our EHS Policy towards prevention of pollution and conservation of environment, we are looking forward to adopting a cleaner construction philosophy/principle.

Cleaner Construction is the continuous application of an integrated preventive environmental strategy for processes, products and services to eliminate pollution throughout the entire construction process by increasing the efficiency of resource use and decreasing pollution. The ultimate goal is to bring about environmental and economic improvement and sustainability.

Through the Cleaner Construction principle the following benefits will be achieved:

- reduced construction costs through greater efficiency
- decreased waste of material inputs
- increased productivity and often improved products
- reduced energy consumption
- minimized waste disposal problems, including charges for waste treatment.

In line with the Cleaner Construction Principles the following initiatives are being taken as best practices towards pollution prevention and environmental conservation.

1. It is being ensured and made a standard that low emission DG sets are provided at all locations with acoustic enclosure to control noise pollution.
2. Initiative taken to address the debris disposal problem to arrive at a practical solution as per available national and international standards.
3. Initiative taken to adopt advanced technology in sewage treatment for all residential projects. Sobha Developers Ltd. is the first Indian construction company to import advanced sewage treatment plants using MBR (Membrane Bio Reactor) Technology and imported packaged sewage treatment plants are installed for our projects.
4. Initiative taken to utilize / recycle treated sewage through such advanced technology for construction activities during project execution wherever possible and for Toilet flushing / car washing and gardening purposes in post handover scenario. This is to achieve the objective of "zero discharge" as per PCB guidelines.
5. Effective rain water harvesting and ground water recharging systems are designed and implemented in all new and ongoing residential projects for conserving valuable resources and to achieve self sufficiency in water supply to the building.
6. In-house laboratory facility is established with world-class equipments for monitoring water and waste water parameters for all projects for controlling and enhancing the treatment plant's operational performance.
7. On site batching plants are installed to reduce transportation cost and hence reducing pollution.

Reducing Green House Gases

While designing and executing projects, (residential/commercial) special focus is being provided to address reduction in green house gas emission.

While designing projects, it is ensured that at least 35% of the total project area is reserved for the gardening and green belt development which can act as a sink to absorb Co₂ emission due to the anthropogenic activities in and around project location.

During the construction phase it is ensured that clean and efficient technologies are being promoted/adopted to reduce green house gas (GHG) emission due to the usage of various construction equipment and transport vehicles.

Adequate monitoring and measurement mechanisms for green house gas (GHG) emission will be worked out and implemented shortly in line with requirements of Clean Development Mechanism (CDM) concept.

Conservation of Paper

Conscious efforts are being made to minimize the use of paper at Sobha by creating awareness amongst employees at all levels and promoting the usage of electronic media for communication as far as possible.

Steps taken towards conservation of paper:

1. Document management system is in place for all process and system document, policies and other reference documents. This initiative has resulted in conserving significant quantity of paper.
2. Network area storage (NAS) box of high storage capacity has been installed to store architectural drawings for a longer period in soft form.

Water Management

A comprehensive water management plan is in place from the design stage to the post handover scenario to ensure judicious use of water and for conservation where possible.

Following measures have been implemented as part of water management:

- i. The water budget for each construction site is prepared well in advance before beginning the project.
- ii. Water consumption from various sources like bore wells, municipal sources etc., is continuously monitored.
- iii. Inspection and maintenance of water systems is carried out on a regular basis to avoid leakage and wastage of water.
- iv. Awareness is created amongst users on the need to conserve water.
- v. In the post construction phase is ensured that waste water passes through STP for recycling. The recycled water from STP is used for gardening purposes, green belt development and flushing of toilets.

Waste Management

Waste is an unavoidable part of any process, but effective waste management practices help in minimizing waste generation and controlling the pollution caused by the waste on its disposal.

Best Practices in waste Management

Best practices for two major categories of waste (solid waste & liquid waste) generated during construction activities are identified, communicated and implemented on each site to ensure that policy objectives are met.

Some important Best practices implemented at sites are given as follows:

Waste management layout is defined at the beginning of the project

for identifying the waste storage areas.

- Construction debris and litter from work areas within the construction limits of the project site are being collected and placed at a common collection area point and debris is being disposed as per statutory and regulatory guidelines on approved dumping grounds.
- All hazardous waste generated at sites are being stored in a systematic manner to avoid land pollution and disposed through authorized recyclers.
- E-waste disposal through authorized recyclers.
- Bio-medical waste from medical care centre is disposed safely.
- Organic waste converters are installed in all projects to convert waste to manure.
- Scrap is sold to authorized scrap dealers.

Health & Safety

Occupational Injuries and Illness

In India the majority of the work force available is unskilled, and this is one of the major contributing factors for prevailing accidents and poor health conditions on sites.

To improve the situation, our Company monitors accidents and illnesses on a regular basis to understand the trends and know the root causes of the incidents. This gives us an immense opportunity to take corrective and preventive action to avoid repetitive accidents on site, and the results of this monitoring activity are analyzed scientifically against relative safety indices such as LTI, severity rate, frequency rate and incident rates (as per IS 3786)

This monitoring is being utilized to establish a benchmark for Sobha Developers Limited with ultimate goal of making our sites accident free and safe and healthy work places.

Initiatives/Safeguards to control accidents on sites

1. Special focus is given to create awareness towards safety amongst our own employees, contractor employees. Regular tool box talks / safety talks are important features of project execution.
2. A Safety Room is created at each site where safety promotion activities are carried out by site QST team, which include showing safety videos TV and DVD players provided at each site.
3. Work permit system is designed and implemented on every site.
4. A team of safety auditors is deployed to monitor day to day site safety requirements on each site.
5. An effective safety evaluation system is in place to evaluate site safety conditions and it is linked to the incentive scheme.
6. Safety net installation standard is evolved and implemented on every site. Safety nets are installed at every six meter height to avert casualty due to fall from a height.
7. Job safety analysis is being carried out on a regular basis in case of critical activities and as and when required for non critical activities.

Wellness Initiatives

The health and well-being of all Sobhaites and their family members is of paramount importance to Sobha Developers Ltd. We recognize that people are our most important resource.

Sobha has a number of programs which are designed to enhance and care for the well-being of our people.

1. Customized Health Care Plan which includes a customized network of providers with specific health screening such as cholesterol, diabetes, hypertension, vision, hearing, prostate, diet counseling.

2. Stress management workshops are being arranged to teach our employees how to manage stress at the work place and in their private life. This activity has received an overwhelming response.
 3. Department-wise budget for Annual Trips to any destination of choice in India where our employees can spend quality time with their family and colleagues.
 4. Occupational health-related medical evaluation is arranged at regular intervals through Medical Camps for all our site-labors and their families.
 5. Arrangements are made to admit children of laborers who are above five years to government schools.
 6. Well equipped clinic is made mandatory at every site to treat minor accidents and illness.
 7. Better sanitation practices are adopted and inculcated in all our labour camps. Regular pest control activities are being conducted to avoid any serious illness in labour camps.
- These programs help us in addressing the wellness of our most important resource, our people, by enabling them to lead balanced, rewarding and productive lives.

Safety Week Awareness Campaign

4th March is celebrated as National Safety Day throughout the country. This year being the 37th anniversary of the campaign, it was all the more special for all of us at Sobha Developers as for was the first time we celebrated Safety Day across all sites and offices at various locations. We had made elaborate arrangements for the Safety Day celebrations.

The itinerary included hoisting of the safety flag by the Asst. Labor Commissioner, Bangalore, committing ourselves to the cause of health, safety and protection of our environment and to do everything possible for the prevention of accidents (safety pledge), distribution of safety badges and display of safety banner, display of vital information on accident prevention, site safety and office safety. Demonstration of Personal Protective Equipment (PPE) at all sites in Bangalore was arranged to create awareness amongst staff, workers and contractors. A drawing and slogan competition based on safety was arranged for employees and labor to bring out their creativity and to create better awareness of our safety endeavors. This was received with overwhelming response from all our offices and sites. The enthusiasm with which the employees and labor participated in the events stands testimony to the fact that SAFETY plays an important part in everyone's lives. One should say that with this humble beginning in the long journey of ensuring accident-free sites and offices, we have sown the seeds of safety in the minds of our employees and labor which will reap benefits and grow by leaps and bounds in the years to come.

IV. CORPORATE SOCIAL RESPONSIBILITY

Solid foundation is required for a sturdy edifice. And sure enough, ours is built on rock-hard building blocks - those of quality, transparency, fair play, integrity and honesty. Sobha Group, under its founder Chairman, Mr. P.N.C. Menon, recognizes its duty to give back to the society through the Group's Corporate Social Responsibility initiatives.

- a. Employment generation in rural areas through vocational training
Tradesmen Training Division of Sobha Academy, Bangalore is part of Sobha's CSR activities. The Academy has partnered with various Non Governmental Organisations (NGO) and offers tradesmen training programs for youth from under-developed areas of India. The venture aims at developing and designing unique vocational training programmes in trades related to building construction. This will empower them in securing sustainable and steady employment. So far under this programme 111 young people were initiated into

tradesmen courses. The trainees after successful completion of the course were recruited by Sobha.

b. Community development programmes

Sobha Developers Limited, through, Sri Kurumba Trust, has set a new benchmark in Corporate Social Responsibility by adopting two underdeveloped villages viz., Vadakkanchery and Kizhakkanchery, in Palakkad District of Kerala. Sri Kurumba Trust, registered in June 1994, functions as the social responsibility arm of Sobha Developers Limited. The trust operates to improve the core areas of socio-economic development such as healthcare, education and employment for around 80,000 people belonging to the two villages. The Trust also takes care of infrastructure requirements as well as basic facilities like access to clean water and sanitation. It has also initiated a water management scheme inured to overcome the challenge posed by severe water shortage in the region. Over five hundred people from the two villages are given full time employment after giving professional training in various trades. A Vocational Training Centre is also in place with advanced resources and facilities offering apprenticeship programs for unemployed youth from poorer families. Several other people are indirectly employed through various income generating projects put in place by the Trust. The major initiatives of the Trust in the social welfare sector include Sobha Hermitage, a home with world-class amenities for senior citizens, widows and children and Sobha Health Care, a primary healthcare centre with excellent medical facilities. The Trust has also adopted a number of widows from the region and is looking after their all-round welfare.

The Sobha Academy, an international school at Panniyamkara, Palakkad, was established in June 2007. This is another of the Trust's major social responsibility initiatives, intended as a comprehensive tool for social engineering for the area. The School is exclusively reserved for students from the lowest socio-economic strata of the society. The gratis facilities offered by the school are of world class standards. The efforts put in by this initiative gives considerable emphasis to the all-round development of each student.

c. Social Empowerment Mapping Exercise

This is a unique socio-economic database created by the Sri Kurumba Trust to support the CSR initiatives and to identify the beneficiaries. Social Empowerment Mapping Exercise (SEME) uses Family Baselines Data Form for identifying the poorest of the poor through an extensive and exhaustive data collection programme directed at measuring the socio-economic milieu of the two villages. It will help the Trust to formulate a clear cut plan and prioritise the areas which need immediate attention in order to achieve overall welfare.

d. Contribution To Social Causes

Amongst the host of other CSR activities carried out by Sobha, the following are worth mentioning:

- a. Sponsorship of the Sports Hostel for P.T. Usha School of Athletics.
- b. Creation of Rehabilitation Village for Tsunami victims in Kerala.
- c. Adoption of orphaned children and housing them in a Sobha sponsored orphanage.
- d. Mass wedding organised every year for around 50 young girls from economically backward families.
- e. Daily feeding programme for destitute and homeless.
- f. Rehabilitation of Flood hit families of villages in Kizhkkanchery and Vadakkanchery in Kerala.
- g. Educational Assistance to meritorious but poor students.

Sobha's CSR initiatives are devoted towards addressing the major social, environmental and developmental issues. Last year Sobha featured amongst the Top Ten Indian Companies who have contributed more than One Billion Rupees to CSR activities.

Sobha Offices

REGISTERED OFFICE

E – 106, Sunrise Chambers,
22 Ulsoor Road,
Bangalore – 560 042, India
Tel: +91 80 2559 7260 / 2559 4139/25550695
Fax: +91 80 2559 4138
www.sobhadevelopers.com
Email: investors@sobha.co.in

CORPORATE OFFICE

4, Neeladri Plaza,
Raja Ram Mohan Roy Road,
Richmond Road Circle,
Bangalore – 560 025, India
Tel: +91 80 2210 4561 / 62 / 63 / 64 / 65 / 66
Fax: +91 80 2210 4569

MARKETING OFFICE

#368, 7th Cross, Wilson Garden,
Bangalore - 560 027, India
Tel: +91 80 22295936 - 38
Fax: +91 80 22120852
E-mail: marketing@sobha.co.in

FINANCE AND AUDIT OFFICE

43, 2nd Floor, Dickenson Road,
Bangalore-560042, India
Tel: +91 80 25564980/81, 25307244,
FAX: +91 80 25304278

BRANCHES:

CHENNAI

115, 1st Floor, Kothari Building,
Mahatma Gandhi Salai,
Nungambakkam, Chennai - 600 034, India
Tel: +91 44 2833 1901
Fax: +91 44 2833 1906
Email: sales.chennai@sobha.co.in

GURGAON

Plot No. 519, Udyog Vihar,
Phase III, Gurgaon - 122015, India
Tel: +91 11 24218145
Fax: +91 11 26131051
Email: sales.delhi@sobha.co.in

PUNE

1st Floor, Galaxy Garden, North Main Road,
Koregaon Park, Pune-411001, India
Tel: +91 20 26053217/26053219
Fax: +91 20 26053562
Email: punesales@sobha.co.in

THRISSUR

Sobha City, Puzhakkal,
Thrissur – 680553, India.
Tel: +91 487 2389770/1
Fax: +91 487 2389773
Email: sobhacity.sls@sobha.co.in

COIMBATORE

Harishree Gardens,
Thondamuthur Main Road,
Vedappatti,
Coimbatore - 641007, India
Tel- 0422 2617905/906
Email: sales.coimbatore@sobha.co.in

MANUFACTURING UNITS

INTERIORS DIVISION

Plot No: 9, JBLR Industrial Area,
Hennagara Post,
Anekal Taluk, Bommasandra,
Bangalore-562106, India
Tel: +91 80 27831412/13/14/15

GLAZING & METAL WORKS DIVISION

Plot No: 10, JBLR Industrial Area,
Hennagara Post,
Anekal Taluk, Bommasandra,
Bangalore-562106, India
Tel: +91 80 22631702

CONCRETE PRODUCTS DIVISION

Plot No: 329, Bommasandra JBLR Industrial Area,
Anekal Taluk, Bangalore -562106, India
Tel: +91 80 27825177 / 27825220
Fax: +91 80 27825777

SOBHA DEVELOPERS LIMITED

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Thursday, the 24th day of July 2008 at NIMHANS Convention Centre, Hosur Road, Bangalore – 560 029 at 2.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008, the Profit and Loss Account for the financial period ended as on that date, the Directors Report and the Auditors Report thereon.
2. To declare Dividend for the year ended 31st March, 2008.
3. To appoint a Director in place of Dr. S.K.Gupta, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. R.V.S.Rao, who retires by rotation and being eligible offers himself for reappointment.
5. To consider and if thought fit, to pass the following resolution with or without modification(s), as an Ordinary Resolution:

“RESOLVED THAT M/s S.R. Batliboi & Associates, Chartered Accountants, Statutory Auditors of the Company be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company, at a remuneration to be fixed by the Board of Directors in consultation with the Auditors.”

By Order of the Board
For Sobha Developers Limited



K. Suresh
Company Secretary & Compliance Officer

Place: Bangalore
Date: May 30, 2008

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR THE MEETING. A PROXY FORM IS ENCLOSED FOR THIS PURPOSE.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from July 18, 2008 to July 24, 2008 (Both days inclusive) for the purpose of payment of Dividend.
3. The Dividend for the year ended March 31, 2008, if declared at the meeting will be paid on or after July 24, 2008 to those members of the Company holding shares in physical form whose names appear on the Register of Members of the Company as on July 24, 2008. In respect of shares held in electronic form, the dividend will be paid to the beneficial owners of the shares as on beginning of July 18, 2008, as per the details provided by the Depositories for this purpose.

4. Members who have not yet encashed their dividend warrants for the year 2006-07, are requested to write to the Company Secretary & Compliance Officer at the Registered Office of the Company at E-106, Sunrise Chambers, 22, Ulsoor Road, Bangalore – 560 042 or send an email to : ksuresh@sobha.co.in or investors@sobha.co.in to claim the dividend.

5. Members / Proxy Holders are requested to bring the Admission Slip duly completed and signed along with their copy of Annual Report to the meeting.

6. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.

7. Pursuant to the amended clause of the listing agreements, additional information on Directors seeking appointment / re-appointment at the Annual General Meeting is appended to this Notice.

8. The members are requested to lodge / notify all the Investor Queries / Complaints / Grievances, transfer Deeds, communication for change of address, bank details, ECS Details, wherever applicable, mandates (if any), for shares held in the Physical Mode with M/s Intime Spectrum Registry Limited, the Registrars and Share Transfer Agents of the Company, having their office at C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (West), Mumbai – 400 078.

The Shareholders holding shares in electronic form are requested to lodge the above details to their depository participants and not to the Company or to the Registrars and Share Transfer Agents of the Company as the Company is bound to use only the data provided by the Depositories while making the payment of Dividend.

9. “All the Investors queries / Complaints / Grievances may be addressed to investors@sobha.co.in”.

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING RE ELECTION AT THE ANNUAL GENERAL MEETING:

DR. S.K. GUPTA:

Profile:

Dr. S. K. Gupta is a Metallurgical Engineer with Ph.D. (Tech.) & D.Sc. (Tech.) from Moscow. He has over 47 years of experience in the field of metallurgy, engineering and management in the steel domain. He has experience in the fields of research and development, engineering and management of steel plants, and large engineering companies in the public and private sector and has formerly occupied the prominent positions of President / Managing Director / Executive Vice Chairman of Jindal Vijayanagar Steel Limited; Managing Director of Rourkela Steel Plant, Steel Authority of India Limited; Chairman and Managing Director, Metallurgical and Engineering Consultants (MECON); and Managing Director, Mishra Dhatu Nigam Limited (MIDHANI), Ministry of Defence. He was a Professor and Head of the Department of Metallurgical Engineering at the Indian Institute of Technology, Bombay and a member of the Board of Industrial Development Bank of India and various other national institutions. He served as the Chairman of the Government of India task force on Steel Growth plan till 2010. He was the recipient of the "Metallurgist of the Year" award instituted by the Government of India in 1980 and was conferred the National Metallurgist award in 1998. He has more than 100 research publications in leading journals in metallurgy and management.

The Board of Directors considers that the continuance of Dr. S.K.Gupta on the Board of the Company will be beneficial to the Company and recommends the resolution for your approval. Additionally Dr. S K Gupta is :

1. Chairman of the Investors' Grievance Committee of the Company and JSW Steel Ltd.
2. Chairman of the Audit and Remuneration Committees of Vesuvius India Ltd and JSW Steel Ltd, respectively.
3. Member of Audit Committees of JSW Steel Ltd, Jindal South West Holdings Ltd, HMT Ltd and Bhuwalka Steel Industries Ltd.
4. Member of Share Allotment and Project Review Committee of JSW Steel Ltd.
5. Member of Investors' Grievance Committees of Jindal South West Holdings Ltd and Vesuvius India Ltd.
6. Member of Remuneration Committees of Jindal South West Holdings Ltd and Vesuvius India Ltd.

Other Directorships:

1. JSW Steel Ltd.
2. Jindal Saw Ltd.
3. Vesuvius India Limited.
4. IVRCL Infrastructures & Projects Ltd
5. Jindal South West Holdings Ltd.
6. HMT Ltd.
7. Surana Industries Ltd.
8. Bhuwalka Steel Industries Ltd.
9. Jindal ITF Ltd.
10. BMM Ispat Ltd.
11. EcoCoke & Power Private Ltd.
12. Ferro Green Technologies Private Ltd.

Shareholding:

Dr. S.K.Gupta holds 435 Equity Shares of Rs.10 each of the Company as on the date of this Notice.

Inter se relationship with other Directors :

Dr. S K Gupta is not related to any other Director of the Company in terms of revised Clause 49 of the Listing Agreement.

MR. R.V.S. RAO

Profile:

Mr. R.V.S. Rao has a bachelor's degree in Commerce from Mysore University and a bachelor's degree in law from Bangalore University. He has completed Master Class for Directors conducted in association with World Council for Corporate Governance, London, UK. He has over 36 years of experience in the areas of banking and finance and was a Member of the Board of Directors of Housing Development Finance Corporation Limited. Currently Mr. R.V.S. Rao is a Senior Advisor to a London (UK) based Hedge Fund. As a USAID Consultant, he was the team leader that reviewed operation and made recommendations for Housing Finance Company, Ghana, Africa. He was also the team leader of the consultancy team, which advised the National Development Bank of Sri Lanka in establishing its Mortgage Finance Business. Mr. Rao is an Associate of Indian Institute of Bankers, Bombay, a life Member of All India Management Association. The Board of Directors considers that the continuance of Mr. R.V.S.Rao on the Board of the Company will be beneficial to the Company and recommend the resolution for your approval. Additionally Mr. R.V.S. Rao is :

1. Chairman of the Audit Committee of the Company.
2. Chairman of the Investors' Grievance Committee of Puravankara Projects Ltd.
3. Member of Audit Committee and Remuneration/Compensation Committee of Royal Orchid Hotels Ltd and Puravankara Projects Ltd.

Other Directorships:

1. Puravankara Projects Ltd.
2. Royal Orchid Hotels Ltd.
3. Icon Hospitality Private Ltd.
4. Nilgiris Dairy Farms Private Ltd.

Shareholding:

Mr. R.V.S. Rao holds 15,000 Equity Shares of Rs. 10/- each of the Company as on the date of this Notice.

Inter se relationship with other Directors :

Mr. R.V.S. Rao is not related to any other Director of the Company in terms of revised Clause 49 of the Listing Agreement.

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SOBHA DEVELOPERS LIMITED

Registered Office: E-106, Sunrise Chambers,
22, Ulsoor Road,
BANGALORE – 560 042.

ATTENDANCE SLIP

Thirteenth Annual General Meeting - July 24, 2008.

Regd. Folio No / DP Client ID

No. of Shares held

For Physical Shareholders Only

Name & Address of the Shareholder	Regd. Folio no.	No. of Shares held

I hereby record my presence at the Thirteenth Annual General Meeting of the Company at 2.00 P.M. at NIMHANS CONVENTION CENTRE, Hosur Road, Bangalore – 560 029 on Thursday, the 24th day of July, 2008.

If Shareholder, please sign here	If Proxy, please sign here
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Members are requested to fill up the Attendance Slip and hand it over at the venue. Members are requested to bring their copy of Annual Report to the Meeting as no copies will be distributed at the venue

✂ Please tear here

SOBHA DEVELOPERS LIMITED

Registered Office: E-106, Sunrise Chambers,
22, Ulsoor Road,
BANGALORE – 560 042.

PROXY FORM

Thirteenth Annual General Meeting - July 24, 2008.

Regd. Folio No / DP Client ID

I/ We..... of in the district of being a member(s) of Sobha Developers Limited hereby appoint of in the district of or failing him /her of in the district of

as my / our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the company to be held on Thursday, the 24th day of July, 2008 at 2.00 P.M. at NIMHANS CONVENTION CENTRE, Hosur Road, Bangalore – 560 029 and at any adjournment thereof.

Signed this day of 2008.

Affix Revenue stamp

Signature:

Note: The proxy in order to be effective must be deposited at the Registered Office of the company at the above address not less than 48 hours before the time for holding the aforesaid meeting and should be duly stamped, completed and signed.

