

Independent Auditor's Report

To the Members of DLF Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of DLF Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient

and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 52 which describes the uncertainty relating to outcome of following lawsuit filed against the Company:

- a) In a complaint filed against the Company relating to imposing unfair conditions on buyers, the Competition Commission of India has imposed a penalty of ₹ 63,000 lakhs on the Company, which was upheld by Competition Appellate Tribunal. The Company has filed an appeal which is currently pending with Hon'ble Supreme Court of India and has deposited ₹ 63,000 lakhs as per direction of the Hon'ble Supreme Court of India.
- b) In a writ filed with Hon'ble High Court of Punjab and Haryana, the Company and two of its subsidiary companies have received judgments cancelling the sale deeds of land/ demolition of structure relating to two IT SEZ/ IT Park Projects in Gurgaon. The Company and the subsidiary companies have filed Special Leave petitions (SLPs) challenging the orders which is currently pending with Hon'ble Supreme Court of India. The Hon'ble Supreme Court has admitted the matters and stayed the operation of the impugned judgments till further orders in both the cases.
- c) Securities and Exchange Board of India (SEBI) in a complaint filed against the Company, imposed certain restrictions on the Company. The Company had received a favourable order against the appeal in said case from Securities Appellate Tribunal (SAT). SEBI, subsequently, has filed a statutory appeal which is currently pending before Hon'ble Supreme Court. SEBI has also imposed penalties upon the Company, some of its directors, officer, its three subsidiaries and their directors which has been disposed off by SAT with a direction that these appeals will stand automatically revived upon disposal of civil appeal filed by SEBI against aforementioned SAT judgement.

Based on the advice of the external legal counsels, no adjustment has been considered in these financial statements by the management in respect of above matters. Our report is not modified in respect of these matters.

Other Matter

1. The Ind AS financial statements of the Company for the year ended March 31, 2017, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 26, 2017.
2. We did not audit the financial information as regards Company's share in loss of partnership firm (post tax) amounting to ₹ 1,133 lakhs for the year ended March 31, 2018.

The financial information has been audited by other auditors whose reports have been furnished to us, and the Company's share in loss of partnership firm investments has been included in the accompanying standalone Ind AS financial statements solely based on the report of other auditors. Our opinion is not modified in respect of this matter.

3. The accompanying standalone Ind AS financial statements include unaudited financial information as regards Company's share in loss of partnership firm (post tax) amounting to ₹ 261 lakhs for the year ended March 31, 2018. The unaudited financial information has been furnished to us by the management and the Company's share in loss of partnership firm investments included in the accompanying standalone Ind AS financial statements is solely based on such unaudited financial information. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

- (e) The matters described in emphasis of matter paragraph above, in case of an unfavourable opinion against the Company, in our opinion, may have an adverse effect on the functioning of the Company;
- (f) On the basis of written representations received from the directors as on March 31, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of Section 164(2) of the Act;
- (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report dated May 21, 2018 in "Annexure 2" to this report;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note 52 to the standalone Ind AS financial statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

for **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Manoj Kumar Gupta**

Partner

Membership No.: 083906

New Delhi
21 May 2018

Annexure 1 referred to in paragraph 1 under “Report on Other Legal and Regulatory Requirements” section of our report of even date

Re: **DLF Limited** (“the Company”)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets comprising of property, plant and equipment and investment properties.
- (b) All fixed assets comprising of property, plant and equipment and investment properties have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment and investment properties are held in the name of the Company, except for five immovable properties having gross block of ₹ 1,338.18 lakhs and net block of ₹ 1,338.18 lakhs, title deed for which is in the name of one of the group companies and the Company is in process of getting them registered in their name. The Company has constructed building on such land having gross block of ₹ 21,238.67 lakhs and net block of ₹ 18,459.49 lakhs.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for inventory represented by development rights. Inventories represented by development rights have been confirmed as at March 31, 2018 on the basis of custodian certificates obtained by the management. No material discrepancies were noticed on such physical verification/ confirmations.
- (iii) (a) The Company has granted unsecured loans to companies, firms, or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company’s interest.
- (b) The Company has granted loans that are re-payable on demand, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. We are informed that the company has not demanded repayment of any such loan during the year, and thus, there has been no default on the part of the parties to whom the money has been lent. The payment of interest has been regular.
- (c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under Section 189 of the Companies Act, 2013 which are overdue for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, provisions of Section 185 and 186 of the Companies Act, 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and guarantees and securities given have been complied with by the Company.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013, in relation to construction industry and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, service tax, duty of custom, duty, value added tax, goods and services tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The provisions relating to duty of excise are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees’ state insurance, income-tax, service tax, sales-tax, duty of custom, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to duty of excise are not applicable to the Company.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, value added tax, goods and services tax and cess on account of any dispute, are as follows:

Nature of Statute	Nature of dues	Amount (₹ in lakhs)	Amount paid under protest (₹ in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Tax demands on account of various disallowances during tax assessment	35,740.99	12,545.62	Assessment year 2015-16	Commissioner of Income Tax (Appeals)
Income-tax Act, 1961	Tax demands on account of various disallowances during tax assessment	315,804.65	543.49	Assessment year 2006-07 to 2014-15	Income Tax Appellate Tribunal
Income-tax Act, 1961	Tax demands on account of various disallowances during tax assessment	34,185.68	-	Assessment year 1992-93 to 2006-07	Hon’ble High Court of Delhi
Odisha Entry Tax, Act 1999	Entry tax demand on purchase of goods in the state of Odisha	1.20	0.15	Assessment year 2009-10 to 2013-14	Joint Commissioner (Appeals)

Nature of Statute	Nature of dues	Amount (₹ in lakhs)	Amount paid under protest (₹ in lakhs)	Period to which the amount relates	Forum where dispute is pending
Odisha Entry Tax, Act 1999	Entry tax demand on purchase of goods in the state of Odisha	0.76	-	Assessment year 2014-15 to 2015-16	Additional Commissioner (Appeals)
West Bengal Entry Tax Act, 2012	Entry tax demand on purchase of goods in the state of West Bengal	5.14	-	Assessment year 2012-13	Hon'ble High Court of Kolkata
Odisha Value Added Tax Act, 1999	Demand of VAT on leased transaction	263.69	-	Assessment year 2009-10 to 2013-14	Hon'ble High Court of Odisha
Odisha Value Added Tax Act, 1999	Demand of VAT on leased transaction	676.56	-	Assessment year 2014-15 to 2015-16	Additional Commissioner (Appeals)
Uttar Pradesh Value Added Tax Act, 2008	Demand of VAT on account of taxable turnover	46.19	24.12	Assessment year 2011-12 to 2015-16	Additional Commissioner (Appeals) Noida
Uttar Pradesh Value Added Tax Act, 2008	Penalty on late deposit of VAT	127.33	-	Assessment year 2012-13	Tax Tribunal, Noida
Haryana General Sales Tax Act, 1973	Disallowance of refund	145.01	145.01	Assessment year 1997-98 to 1999-2000	Hon'ble High Court, Punjab & Haryana
Haryana Value Added Tax Act, 2003	Demand of VAT u/s 34 on account of developer matter	1,217.18	-	Assessment year 2007-08 to 2008-09	Tax Tribunal, Chandigarh
The Finance Act, 2004 and Service tax rules	Denial of Cenvat credit on rent paid and service tax demand on other matters	5,792.59	281.24	Assessment year 2003-04 to 2012-13	CESTAT, Chandigarh
The Finance Act, 2004 and Service tax rules	Interest on wrong availment of inadmissible Cenvat Credit	221.62	-	Assessment year 2011-12	Commissioner Service Tax
The Finance Act, 2004 and Service tax rules	Demand of service tax on transfer of development rights	4,991.45	850.00	Assessment year 2012-13 to 2014-15	Additional Director General, DGCEI, New Delhi
The Finance Act, 2004 and Service tax rules	Demand of service tax on transfer of development rights	1,697.00	-	Assessment year 2015-16	Commissioner CGST, Gurugram

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or dues to debenture holders. The Company did not have any outstanding loans or borrowings due to government.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of preferential allotment of share warrants, compulsorily convertible debentures and term loans for the purposes for which they were raised. According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/ further public offer.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given by the management, the Company has complied with provisions of Section 42 of the Companies Act, 2013 in respect of the preferential allotment of compulsorily convertible debentures and share warrants during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

for **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per **Manoj Kumar Gupta**
Partner
Membership No.: 083906

New Delhi
21 May 2018

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF DLF LIMITED

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

We have audited the internal financial controls over financial reporting of DLF Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone financial statements, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/300005

per **Manoj Kumar Gupta**

Partner

Membership No.: 083906

New Delhi

21 May 2018