

AUDITED ANNUAL REPORT

Financial Year 2015 - 2016

INDIAREIT

Fund Scheme V

Independent Auditors' Report

To the Board of Trustees of INDIAREIT Fund Scheme V

Report on the Financial Statements

We have audited the accompanying financial statements of INDIAREIT Fund Scheme V ("the Scheme ") which comprise the balance sheet as at 31 March 2016, the related revenue account and cashflow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the financial statements

The Trustee Company – IL&FS Trust Company Limited and Investment Manager- Piramal Fund Management Private Limited (collectively referred to as the "management") are responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Scheme in accordance with the accounting principal generally accepted in India, including the Accounting Standards issued by Institute of Chartered Accountants of India ("ICAI") to the extent applicable. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Scheme and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (*Continued*)

INDIAREIT Fund Scheme V

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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 Scheme as at 31 March 2016; and
- (b) in the case of the revenue account, of the deficit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows of the Scheme for the year ended on that date

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(I) to the financial statement, which describe the basis of preparation of financial statement. The financial statements are prepared on cash basis to assist management to comply with the financial reporting provisions of the trust deed.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Mumbai
27 June 2016

Venkataramanan Vishwanath

Partner

Membership No: 113156

INDIAREIT Fund Scheme V

(A Scheme of Indiareit Fund)

Balance sheet

as at 31 March 2016

(Currency : Indian Rupees)

	<i>Schedule</i>	31 March 2016	31 March 2015
Liabilities			
Unitholder's fund	3	9,254,513,430	4,713,650,000
Revenue account	4	(887,955,381)	(599,715,370)
Secured loan	5	-	260,000,000
		<u>8,366,558,049</u>	<u>4,373,934,630</u>
Assets			
Investments	6	8,363,135,294	4,372,008,027
Bank balances	7	3,422,755	1,926,603
		<u>8,366,558,049</u>	<u>4,373,934,630</u>
Significant accounting policies	2		
Notes to the accounts	10		

The schedules referred to above form an integral part of these financial statements

As per our report of even date attached.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of Investment Manager
Piramal Fund Management Private Limited

For and on behalf of the Trustee
IL & FS Trust Company Limited

Venkataramanan Vishwanath

Partner

Membership No: 113156

Mumbai

27-Jun-16

Khushru Jijina

Managing Director

Niraj Bhukhanwala

Director

Authorised Signatory

Mumbai

27-Jun-16

Sachin Deodhar

Chief Financial Officer

Mumbai

27-Jun-16

INDIAREIT Fund Scheme V

(A Scheme of Indiareit Fund)

Revenue account

for the year ended 31 March 2016

(Currency : Indian Rupees)

	<i>Schedule</i>	31 March 2016	31 March 2015
Income			
Interest Income		284,342,083	138,855,556
Other Income	8	12,247,712	43,278,299
		296,589,795	182,133,855
Expenditure			
Organisational expenses		-	1,733,935
Advisory fees		192,313,413	192,548,586
Administrative and operating expenses	9	26,568,440	14,031,173
Service tax		30,772,908	25,371,486
Interest on loan		78,617,479	18,050,136
		328,272,240	251,735,316
Deficit for the year before tax		(31,682,445)	(69,601,461)
Tax expense			
Income tax paid		2,174,285	6,135,068
Deficit for the year after tax		(33,856,730)	(75,736,529)
Deficit brought forward from previous year		(609,483,487)	(394,891,402)
Deficit carried forward		(643,340,217)	(470,627,931)
Distribution of Income		(284,342,083)	(138,855,556)
Deficit carried forward to balance sheet		(927,682,300)	(609,483,487)
Significant accounting policies	2		
Notes to accounts	10		

The schedules referred to above form an integral part of these financial statements

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

For and on behalf of Investment Manager
Piramal Fund Management Private Limited

For and on behalf of the Trustee
IL & FS Trust Company Limited

Venkataramanan Vishwanath
Partner
Membership No: 113156

Khushru Jijina
Managing Director

Authorised Signatory

Mumbai
27-Jun-16

Niraj Bhukhanwala
Director

Mumbai
27-Jun-16

Sachin Deodhar
Chief Financial Officer

Mumbai
27-Jun-16

Indiareit Fund Scheme V

(A Scheme of Indiareit Fund)

Cash Flow Statement

for the year ended 31 March 2016

(Currency : Indian Rupees)

	31 March 2016	31 March 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Deficit before Taxation	(31,682,445)	(69,601,461)
Adjustments for :		
Interest income received on Investments	(284,342,083)	(138,855,556)
Penalty income received	(7,236,381)	(2,090,656)
Dividend on Mutual Fund received	(5,011,331)	(25,458,192)
Interest paid on loan	78,617,479	18,050,136
Interest on temporary investments	-	(15,729,451)
Operating Deficit before Working Capital Changes	(249,654,761)	(233,685,180)
Adjustments for :		
Increase in Distribution of interest payable	29,958,802	9,768,117
Cash used in Operations	(219,695,959)	(223,917,063)
Income tax paid	(2,174,285)	(6,135,068)
Net Cash used in Operating Activities (A)	(221,870,244)	(230,052,131)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,991,127,267)	(3,369,516,430)
Dividend on Mutual Fund received	5,011,331	25,458,192
Interest income received on Investments	284,342,083	138,855,556
Interest on temporary investments	-	15,729,451
Net Cash used in Investing Activities (B)	(3,701,773,853)	(3,189,473,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Penalty income received	7,236,381	2,090,656
Secured loan availed	1,260,000,000	260,000,000
Repayment of Loan	(1,260,000,000)	(400,000,000)
Interest paid on loan	(78,617,479)	(18,050,136)
Distribution of Interest	(284,342,083)	(138,855,556)
Contribution received	4,540,863,429	3,713,200,000
Net Cash generated from Financing Activities (C)	4,185,140,248	3,418,384,964
Net Increase/ (Decrease) in Cash and Cash Equivalents (A)+(B)+(C)	261,496,151	(1,140,398)
Cash and cash equivalents at the beginning of the year	1,926,603	3,067,001
Cash and cash equivalents at the end of the year	263,422,755	1,926,603
Notes to cash flow statement		
Components of cash and cash equivalents, refer note 7		
Balance with banks		
- Current accounts	3,422,755	1,926,603
Total	3,422,755	1,926,603

The notes referred to above form an integral part of the financial statements

As per our report of even date

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

For and on behalf of Investment Manager

Piramal Fund Management Private Limited

For and on behalf of the Trustee

IL & FS Trust Company Limited

Venkataramanan Vishwanath

Partner

Membership No: 113156

Khushru Jijina

Managing Director

Authorised Signatory

Mumbai

27-Jun-16

Niraj Bhukhanwala

Director

Mumbai

27-Jun-16

Sachin Deodhar

Chief Financial Officer

Mumbai

27-Jun-16

INDIAREIT Fund Scheme V

(A scheme of Indiareit Fund)

Schedules to the financial statements

for the year ended 31 March 2016

(Currency: Indian Rupees)

1. Background

INDIAREIT Fund Scheme V (the “Scheme”) is set up as a Scheme of Indiareit Fund (the “Fund”), organized and settled as a contributory trust under the provisions of the India Trust Act, 1882 by way of trust deed dated 8 August 2005 and registered under the Registration Act, 1908 to carry on the activity of a Venture Capital Fund. The trust is registered with the Securities and Exchange Board of India (“SEBI”) as a Venture Capital Fund under the SEBI (Venture Capital Funds) Regulations, 1996 and amendments thereto as applicable (SEBI Regulations). IL & FS Trust Company Limited (“the Trustee”) acts as Trustee. The scheme has been incorporated on 8 August 2005 and the commencement of its business is from 10 April 2013.

Piramal Fund Management Private Limited (“Investment Manager”), a Company incorporated under the Companies Act, 1956, has been appointed as the investment advisor by the Trustee to the Fund. The investment advisor will act as an independent agent of the Trust and will advise the Scheme on its investment decisions and administer the Scheme investment in accordance with the power delegated by the Trustee.

The primary objective of the Scheme is to provide long term capital appreciation to its contributors by investing in Indian companies engaged in real estate, property management, infrastructure and allied sectors.

The interim closing was made on 1 August 2013 with aggregate investors’ commitment towards the Scheme amounting to Rs. 300,000,000. The final closing of the scheme was done on December 2013. As at 31 March 2016, the subscription commitment aggregating to Rs. 9,254,513,430 (net of redemption/ cancellation) was received from Class A, Class B, Class C and Class D unit holders of the Scheme. As at 31 March 2016, the aggregate investors’ commitment towards the Scheme is amounting to Rs. 10,000,000,000.

The Scheme is a close ended scheme offering Class A units of Rs. 100,000 each to contributors making Capital Commitment of less than Rs. 10,000,000, Class B units of Rs. 100,000 each to contributors making Capital Commitment of Rs. 10,000,000 or more but less than Rs. 100,000,000 and Class C units of Rs. 100,000 each to contributors making Capital Commitment of Rs. 100,000,000 or more. The Scheme will also be offering upto 100 Class D units of Rs.10,000 each to the Investment Advisor or its designees.

2. Significant accounting policies

I. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention. The Scheme follows cash system of accounting and recognizes all items of income and expenditure on cash basis and confirm with the other generally accepted accounting principles prevailing in India in accordance with clause 7.1 of the contribution agreement.

INDIAREIT Fund Scheme V

(A scheme of Indiareit Fund)

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2016

(Currency: Indian Rupees)

2. Significant accounting policies (*Continued*)

II. Unit Capital

Unit Capital is accounted on allotment of units to the extent of the contribution received from the investors.

III. Investments

Investment consists of portfolio investments and other investments. Portfolio investments are made with a long term horizon and are intended to be held for more than one year.

Other investments represent investment of temporary surplus funds.

a. Portfolio investment

Unquoted

Investments in unquoted securities in portfolio companies are recorded at lower of cost or their fair value as determined by the Investment Advisor or any independent valuer.

Fair valuation is determined by placing the most weight on valuation methods that are clearly objective and timely, such as using recent cost or latest round of financing data. Determination of valuation adjustments is primarily based upon actual positive and negative events and secondarily on expected accomplishments and performance.

b. Other Investment

Other investments represent investment in the schemes of Mutual Funds and are valued at lower of cost or fair value. Fair value represents the net assets value of the respective schemes where the funds are invested.

Purchase and sale of investments are recorded on trade date. The gains and losses on sale of other investments are recognized in the revenue account on the trade date. Profit or loss on the sale of other investments is determined on First in First Out ('FIFO') basis.

IV. Investment Advisory fees

In accordance with the Investment Advisory Agreement dated 18 August 2005 between the Trustee and Investment Advisor, an annual investment advisory fee ("Advisory Fee") as stipulated in the Private Placement Memorandum is payable to Investment Advisor for managing INDIAREIT Fund Scheme V quarterly in advance as follows:

- In respect of Class A Units, Class B Units and Class C Units from the Interim Closing to the end of the Investment Period, 2%, 1.75% and 1.5% p.a. respectively, of the aggregate Capital Commitments;
- After the end of the Investment Period, the advisory fees be charged at the aforesaid rates but on the unreturned capital (which shall be the size of the corpus of the Scheme less the cost of investments divested)

V. Revenue Recognition

Revenue is recognized on receipt basis.

INDIAREIT Fund Scheme V

(A Scheme of Indiareit Fund)

Schedules to the financial statements (*Continued*)

as at 31 March 2016

(Currency : Indian Rupees)

	31 March 2016		31 March 2015	
	Units	Amount	Units	Amount
3 Unitholder's fund				
Class A units of Rs. 100,000 each fully called up				
Outstanding at the beginning of the year	36,662.50	3,666,250,000	7,887.90	788,790,000
Issued during the year	36,139.13	3,613,913,430	28,774.60	2,877,460,000
	<u>72,801.63</u>	<u>7,280,163,430</u>	<u>36,662.50</u>	<u>3,666,250,000</u>
As at the end of the year (A)	<u>72,801.63</u>	<u>7,280,163,430</u>	<u>36,662.50</u>	<u>3,666,250,000</u>
Class B units of Rs. 100,000 each fully called up				
Outstanding at the beginning of the year	5,394.00	539,400,000	1,099.10	109,910,000
Issued during the year	5,144.50	514,450,000	4,294.90	429,490,000
	<u>10,538.50</u>	<u>1,053,850,000</u>	<u>5,394.00</u>	<u>539,400,000</u>
As at the end of the year (B)	<u>10,538.50</u>	<u>1,053,850,000</u>	<u>5,394.00</u>	<u>539,400,000</u>
Class C units of Rs. 100,000 each fully called up				
Outstanding at the beginning of the year	5,075.00	507,500,000	1,012.50	101,250,000
Issued during the year	4,125.00	412,500,000	4,062.50	406,250,000
	<u>9,200.00</u>	<u>920,000,000</u>	<u>5,075.00</u>	<u>507,500,000</u>
As at the end of the year (C)	<u>9,200.00</u>	<u>920,000,000</u>	<u>5,075.00</u>	<u>507,500,000</u>
Class D units of Rs. 10,000 each fully paid up (D)	50.0	500,000	50.00	500,000
(E) = (A) + (B) + (C) + (D)	<u>92,590.13</u>	<u>9,254,513,430</u>	<u>47,181.50</u>	<u>4,713,650,000</u>
4 Revenue account				
Deficit as per revenue account		927,682,300		609,483,487
Less: Distribution of Interest payable		39,726,919		9,768,117
Total		<u>887,955,381</u>		<u>599,715,370</u>
5 Secured loan				
		-		260,000,000
Loan taken from Piramal Finance Private Limited*				
		<u>-</u>		<u>260,000,000</u>
Total				

* Loan taken from Piramal Finance Private Limited carries interest at the rate of 16.50% per annum.

INDIAREIT Fund Scheme V

(A Scheme of Indiareit Fund)

Schedules to the financial statements (Continued)

as at 31 March 2016

(Currency : Indian Rupees)

	31 March 2016			31 March 2015	
6 Investments	Face value	Quantity	Amount	Quantity	Amount
Portfolio investments					
(I) Unquoted **					
Ashiana Landcraft Realty Private Limited					
- Class A equity shares	10	11,700	117,000	11,700	117,000
- Optionally convertible debentures - Series I	1,000	55,556	55,556,000	55,556	55,556,000
- Non convertible debentures - Series I	1,000	644,327	644,327,000	644,327	644,327,000
- Non convertible debentures - Series II	1,000	300,000	300,000,000	300,000	300,000,000
-Ashvi Developers Private Limited					
- Optionally convertible debentures	100,000	20,000	2,000,000,000	10,000	1,000,000,000
Indus Valley Homes Private Limited					
- Equity shares	10	9,998	99,980	-	-
- 18% Optionally convertible debentures	100	3,250,000	325,000,000	-	-
Darode Jog Homes Private Limited					
- Equity shares	10	2,000	20,000	-	-
- Optionally convertible debentures - Series A	1,000	1,150,000	1,150,000,000	850,000	850,000,000
- Optionally convertible debentures - Series B	1,000	49,980	49,980,000	-	-
HV Ventures Projects Private Limited					
- Equity shares	10	2,000	20,000	-	-
- Optionally convertible debentures - Series I	100,000	4,900	490,000,000	-	-
- Optionally convertible debentures - Series II	100	97,800	9,780,000	-	-
- Optionally convertible debentures - Series III	100	2,000	200,000	-	-
Rida Builders and Promoters Private Limited					
- Class A equity shares	10	100,000	1,000,000	100,000	1,000,000
- Optionally convertible debentures - Series A	100,000	90	9,000,000	90	9,000,000
- Non convertible debentures - Series A	100,000	3,400	340,000,000	3,400	340,000,000
Valmark Developers Private Limited					
- Class A equity shares	10	111,112	1,111,120	111,112	1,111,120
- Non convertible debentures - Series I	10,000,000	59	590,000,000	59	590,000,000
- Optionally convertible debentures - Series I	10	888,888	8,888,880	888,888	8,888,880
Ashiana Dwellings Private Limited					
- Class A equity shares	10	1,194,000	11,940,000	1,194,000	11,940,000
- Optionally convertible debentures - Series I	10,000	64,806	648,060,000	54,806	548,060,000
Royaume Estates Private Limited					
- Equity shares	10	2,000	20,000	-	-
- Optionally convertible debentures - Series I	100,000	6,590	659,000,000	-	-
- Optionally convertible debentures - Series II	100	2,000	200,000		
- Optionally convertible debentures - Series III	100	7,800	780,000		
SPR Constructions Private Limited					
- Non convertible debentures - Series I	1,000,000	960	960,000,000	-	-
- Optionally convertible debentures	1,000,000	64	64,000,000	-	-
	7,982,030		8,319,099,980	4,223,938	4,360,000,000
Other Investments					
(I) Unquoted mutual fund					
- Reliance Liquid Fund - Treasury Plan - Daily Dividend Reinvestment		2,815	4,302,654	-	-
- UTI Money Market Fund - Institutional Plan - Daily Dividend Reinvestment		39,599	39,732,660	-	-
- DHFL Pramerica Liquid Fund - Daily Dividend Reinvestment		-	-	12,004	12,008,027
	42,413		44,035,314	12,004	12,008,027
Total	8,024,443		8,363,135,294	4,235,942	4,372,008,027

** Unquoted investments are held in the name of the Trustee Company on behalf of the scheme.

INDIAREIT Fund Scheme V

(A Scheme of Indiareit Fund)

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2016

(Currency : Indian Rupees)

	31 March 2016	31 March 2015
7 Bank balances		
Balance with banks in current accounts	3,422,755	1,926,603
Total	3,422,755	1,926,603
8 Other Income		
Interest on Temporary Investment	-	15,729,451
Penalty Income	7,236,381	2,090,656
Dividend on Mutual Fund	5,011,331	25,458,192
Total	12,247,712	43,278,299
9 Administrative and operating expenses		
Trusteeship Fees	240,000	-
Processing Fees	14,515,009	-
Audit Fees	250,000	338,595
Administrative expenses	371,289	-
Insurance Charges	301,007	508,494
Legal and professional fees	7,830,333	11,769,849
Courier Charges	2,407,329	1,006,662
Printing and stationery	629,994	398,581
Miscellaneous expenditure	23,479	8,992
Total	26,568,440	14,031,173

INDIAREIT Fund Scheme V

(A scheme of Indiareit Fund)

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2016

(Currency: Indian Rupees)

10. Notes to accounts

a. *Trusteeship Fees*

The trusteeship fees is paid in accordance with the Indenture of Trust dated 8 August 2005 entered into between Piramal Fund Management Private Limited and IL & FS Trust Company Limited, and amendments thereto. The trustee shall be entitled to receive trusteeship fees of 0.01% per annum on the aggregate capital commitments, payable quarterly in advance, subject to minimum of Rs. 100,000 per annum and maximum of Rs. 200,000 per annum.

b. *Organizational Expenses*

Organizational expenses represent expenses incurred for the establishment of the Scheme and for raising commitments including any selling commission payable to the intermediaries for an amount up to 2% of the aggregate capital commitment to the Scheme in accordance with the PPM and other trust documents of the Scheme.

c. *Income Tax*

The income of the Scheme from investments in venture capital undertaking is exempt from tax as per section 10(23FB) of the Income-tax Act, 1961 ('the Act') and the unit holders of the Scheme are taxable as per section 115U of the Act. Venture capital fund are treated as "Pass through entities" and therefore the taxability of the income of the Scheme will not be required to determine under the general provisions of the Income Tax Act, 1961.

As the Scheme has also earned non-Venture Capital Undertaking income, the same would be assessed to tax in accordance with the provisions of the Act, either in the hands of the trustee, in their representative capacity or directly in the hands of the beneficiaries. Given that the Scheme is a determinate trust, the tax shall be levied in the like manner and the same extent as it would be leviable on the beneficiaries.

d. *Segmental Reporting*

The Scheme operates only in one reportable segment i.e. Venture capital fund to make investments as set out in schedule 5 to these financial statements. Further, all the operations and investments are located in India. As such, there are no separate reportable segments as per Accounting Standard – 17 "Segment Reporting".

e. *Related party disclosures*

i. Name of related parties

- **Enterprise having Significant Influence:**

Piramal Fund Management Private Limited – Investment Manager

- **Enterprise over which Key Management Personnel has Significant Influence:**

Piramal Finance Private Limited

INDIAREIT Fund Scheme V

(A scheme of Indiareit Fund)

Schedules to the financial statements (*Continued*)

for the year ended 31 March 2016

(Currency: Indian Rupees)

- **Key Management Personnel**

Khushru Jijina

ii. Transaction with related parties

Particulars	2016	2015
Advisory fees		
Piramal Fund Management Private Limited	192,313,413	192,548,586
Interest Paid		
Piramal Finance Private Limited	78,617,479	18,050,136
Loan Taken		
Piramal Finance Private Limited	1,260,000,000	260,000,000
Loan Repaid		
Piramal Finance Private Limited	1,520,000,000	400,000,000
Loan Amount Outstanding		
Piramal Finance Private Limited	-	260,000,000

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For and on behalf of Investment
Manager
**Piramal Fund Management
Private Limited**

For and on behalf of the Trustee
IL & FS Trust Company Limited

Venkataramanan Vishwanath
Partner
Membership No: 113156

Khushru Jijina
Managing Director

Authorised Signatory

Mumbai
27 June 2016

Niraj Bhukhanwala
Director

Mumbai
27 June 2016

Sachin Deodhar
Chief Financial Officer

Mumbai
27 June 2016



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