

INDEPENDENT AUDITOR'S REPORT

To the Members of **Carnation Hotels Private Limited**

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Carnation Hotels Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 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 Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also 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 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 of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Ind AS financial statements.



JDP & Associates

(Chartered Accountants)

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

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 Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) 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;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 26 to the Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.



JDP & Associates

(Chartered Accountants)

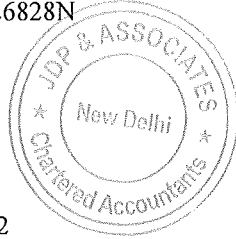
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For JDP & Associates
Firm Registration No: 026828N
Chartered Accountants

Jatin

Jatin Kumar
Partner

Membership No.: 531072
Place: New Delhi
Date:



JDP & Associates

(Chartered Accountants)

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

Re: **Carnation Hotels Private Limited ("the Company")**

- (i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has physically verified the fixed assets at reasonable intervals, there were no material discrepancy during the physical verification of fixed assets.
- c) The company does not hold any land thus reporting provisions of clause 3(i)(c) is not applicable.
- (ii) The Company does not have any inventory, thus reporting under clause 3(ii) is not applicable.
- (iii) The Company has not granted any loan to a company covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, provisions of, clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) The Company has not made any loans, investments, guarantees, and securities during the year thus the provisions of clause 3 (iv) is not applicable.
- (v) The Company has not accepted any deposits from the public in terms of directive issued by Reserve Bank of India and provision of section 73 to 76 of the Companies Act, 2013.
- (vi) To the best of our knowledge and as explained, the central government has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Companies Act 2013.
- (vii) a) Undisputed statutory dues including provident fund, employee state insurance, labour welfare fund, income-tax, goods and service tax, service tax, value added tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The provisions related to excise and customs duty are not applicable to the Company.
- b) According to information and explanation given to us, there are no undisputed amounts payable in respect of income tax, sales tax, goods and service tax, service tax, duty of customs, value added tax, excise duty cess and other material statutory dues were outstanding for a period of more than six months from the date they become payable.
- c) According to information and explanation given to us there are no dues of Income tax, sales tax, goods and service tax, service tax, duty of customs, value added tax and cess which have not been deposited on account of dispute.
- (viii) The company did not have any outstanding dues in respect of a bank, financial institutions or debenture holders during the year.



JDP & Associates

(Chartered Accountants)

- (ix) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and there are no term loans outstanding during the year.
- (x) To the best of our knowledge no fraud is committed by the company or any fraud on the company by its officers or employees has been noticed or reported during the year.
- (xi) The managerial remuneration has been paid or provided during the year is in accordance with the requisite approval mandated by the provision of section 197 read with Schedule V to the Companies Act.
- (xii) The company is not a Nidhi Company so Nidhi Rules, 2014 are not applicable to the company.
- (xiii) All transactions with the related party are in compliance with sections 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements as required by applicable accounting standards. Provision of section 177 is not applicable to the Company.
- (xiv) The company has not made any preferential allotment or private placement of shares or fully or partially convertible debentures
- (xv) The Company has not entered into any non-cash transaction with the director or person connected with director as required under section 192 of The Companies Act, 2013.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India, 1934.

For JDP & Associates

Firm Registration No: 026828N

Chartered Accountants



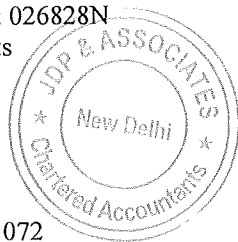
Jatin Kumar

Partner

Membership No.: 531072

Place: New Delhi

Date:



JDP & Associates

(Chartered Accountants)

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF CARNATION HOTELS PRIVATE 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 Begonia Hotels private 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 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.

Auditors' Responsibility

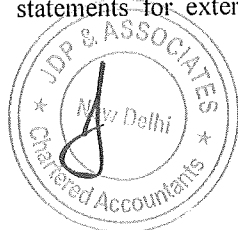
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A



JDP & Associates

(Chartered Accountants)

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 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 JDP & Associates

Firm Registration No: 026828N

Chartered Accountants



Jatish Kumar

Partner

Membership No.: 531072

Place: New Delhi

Date:



Carnation Hotels Private Limited
Balance Sheet as at March 31, 2018


	Notes	March 31, 2018 Rs in lakhs	March 31, 2017 Rs in lakhs
ASSETS			
Non-current assets			
Property, plant and equipment	3	52.63	19.26
Intangible assets	4	0.45	-
Financial assets	5		
Other financial assets		17.85	15.99
Other non-current assets	6	650.12	640.66
Deferred tax assets (net)	7	60.63	65.38
		<u>781.68</u>	<u>741.29</u>
Current assets			
Financial assets	8		
Trade receivables		282.10	141.38
Cash and Cash equivalents		68.20	32.33
Other financial assets		0.30	0.30
Other current assets	9	78.76	4.76
		<u>429.36</u>	<u>178.77</u>
Total Assets		<u><u>1,211.04</u></u>	<u><u>920.06</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	9.35	9.35
Other Equity	11	48.16	(95.88)
Total Equity		<u>57.51</u>	<u>(86.53)</u>
Liabilities			
Non-current liabilities			
Financial liabilities	12		
Borrowings		323.28	291.26
Provisions	13	9.97	8.28
		<u>333.25</u>	<u>299.54</u>
Current liabilities			
Financial liabilities	14		
Borrowings		644.72	612.43
Other financial liabilities		122.01	60.59
Other current liabilities	15	42.37	24.62
Provisions	13	11.18	9.41
		<u>820.28</u>	<u>707.05</u>
Total Liabilities		<u>1,153.53</u>	<u>1,006.59</u>
Total Equity and Liabilities		<u><u>1,211.04</u></u>	<u><u>920.06</u></u>

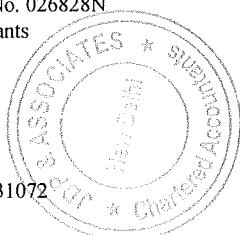
Summary of significant accounting policies 2

The accompanying notes are an integral part of the financial statements.


As per our report of even date


For JDP & Associates
Firm Registration No. 026828N
Chartered Accountants


Jaatin Kumar
Partner
Membership No. 531072



For and on behalf of the Board of Directors of
Carnation Hotels Private Limited


Ratan Keswani
Whole Time Director
Din: 05317766


Kapil Sharma
Director
Din: 00352890

Place : New Delhi
Date : May 21, 2018

Carnation Hotels Private Limited
Statement of Profit and Loss for the year ended 31 March, 2018

	Notes	March 31, 2018 Rs in lakhs	March 31, 2017 Rs in lakhs
Revenue From Operations	16	1,140.17	488.72
Other Income	17	0.90	-
Total Income		1,141.07	488.72
Expenses			
Employee benefits expense	18	442.19	304.58
Other expenses	19	441.99	279.28
Total expenses		884.18	583.86
Earnings before interest, tax, depreciation and amortisation (EBITDA)		256.89	(95.14)
Finance costs	20	66.05	7.87
Depreciation and amortization expense	21	6.91	5.98
Finance income	22	(2.24)	(5.64)
Profit/(loss) before tax		186.17	(103.35)
Tax expense:			
(1) Current tax		37.96	-
(2) Adjustment of tax relating to earlier periods		0.02	-
(3) Deferred tax		3.19	(41.69)
		41.17	(41.69)
Profit/(Loss) for the year		145.00	(61.66)
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement gains/ (losses) on defined benefit plans		(0.96)	(5.01)
Income tax effect		-	-
		(0.96)	(5.01)
Net other comprehensive income not to be reclassified to profit or loss in subsequent year		(0.96)	(5.01)
Other Comprehensive Income for the year, net of tax		(0.96)	(5.01)
Total comprehensive income for the year, net of tax		144.04	(66.67)
Earnings per equity share:			
(1) Basic	23	15.41	(7.13)
(2) Diluted	23	15.41	(7.13)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For JDP & Associates

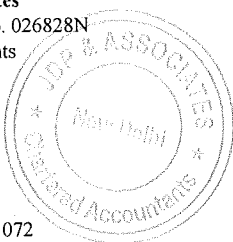
Firm Registration No. 026828N

Chartered Accountants

Jain Kumar

Partner

Membership No. 531072



For and on behalf of the Board of Directors of
Carnation Hotels Private Limited

Rattan Keswani
Whole Time Director
Din: 05317766

Kapil Sharma
Director
Din: 00352890

Place : New Delhi

Date : May 21, 2018

Carnation Hotels Private Limited
Cash flow statement for the year ended March 31, 2018

	March 31, 2018 Rs in lakhs	March 31, 2017 Rs in lakhs
Cash flow from operating activities		
Profit/ (Loss) before tax	186.17	(103.35)
Adjustments to reconcile profit/(loss) before tax to net cash flows:		
Depreciation and amortisation expenses	6.91	5.98
Fair valuation of security deposits	384.85	12.85
Finance income (including fair value change in financial instruments)	(1.87)	(1.39)
Finance costs (including fair value change in financial instruments)	7.17	7.85
Advance written off	0.35	2.57
Provision for gratuity	2.22	5.54
Provision for leave encashment	0.27	4.35
Excess provision/ credit balances written back	(0.89)	-
Net (gain)/ loss on sale of property plant and equipment	8.13	
Net (gain)/ loss on sale of current investments	-	(4.25)
	<u>593.31</u>	<u>(69.85)</u>
Working Capital Adjustment:		
Change in trade receivables	(140.72)	(25.10)
Change in loans and advances and other current assets	(473.92)	(618.58)
Change in liabilities and provisions	74.37	42.45
	<u>53.04</u>	<u>(671.08)</u>
Income tax paid (net of refunds)	(31.14)	(49.64)
Net cash flow from operating activities	<u>21.90</u>	<u>(720.72)</u>
Investing activities		
Purchase of Property, Plant & Equipment	(56.84)	(0.52)
Proceeds from sale of property plant & equipment	8.00	-
(Purchase)/sale of current investments	-	134.03
Net Cash flow used in investing activities	<u>(48.84)</u>	<u>133.51</u>
Financing activities		
Proceeds from issuance of compound financial instrument	(0.00)	(6.99)
Proceeds from long term borrowings	30.52	
Proceeds from short term borrowings	32.29	611.09
Interest paid	-	(0.86)
Net Cash from financing activities	<u>62.81</u>	<u>603.24</u>
Net increase/(decrease) in cash and cash equivalents	<u>35.87</u>	<u>16.02</u>
Cash and cash equivalents at the beginning of the year	<u>32.33</u>	<u>16.31</u>
Cash and cash equivalents at the end of the year	<u>68.20</u>	<u>32.33</u>
Components of cash and cash equivalents		
Cash on Hand	1.01	0.03
Balances with Banks in Current accounts	67.19	32.30
Total cash and cash equivalents	<u>68.20</u>	<u>32.33</u>

Summary of significant accounting policies

2

As per our report of even date

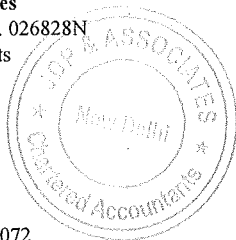
For JDP & Associates

Firm Registration No. 026828N

Chartered Accountants

Jatin Kumar
Partner

Membership No. 531072



For and on behalf of the Board of Directors of
Carnation Hotels Private Limited

Rattan Keswani
Whole Time Director
Din: 05317766

Kapil Sharma
Director
Din: 00352890

Place : New Delhi
Date : May 21, 2018

Carnation Hotels Private Limited
Statement of Changes in Equity

A. Equity Share Capital

Equity shares of INR 1 each issued, subscribed and fully paid

As at April 1, 2016

Issue of share capital

As at March 31, 2017

Issue of share capital

As at March 31, 2018

	No. of shares	Amount
		Rs. In lakhs
As at April 1, 2016	934,580	9.35
Issue of share capital	-	-
As at March 31, 2017	934,580	9.35
Issue of share capital	-	-
As at March 31, 2018	934,580	9.35

B. Other Equity

For the year ended 31 March, 2018

Rs. In lakhs

	Reserves and Surplus			Total equity
	Capital reserve	Securities Premium Reserve	Retained Earnings	
Balance at 1 April 2016	52.18	-	(81.38)	(29.20)
Total Comprehensive Income for the year	-	-	(66.68)	(66.68)
Balance at 31 March 2017	52.18	-	(148.06)	(95.88)
Total Comprehensive Income for the year	-	-	144.04	144.04
Balance at 31 March 2018	52.18	-	(4.02)	48.16

Summary of significant accounting policies

2

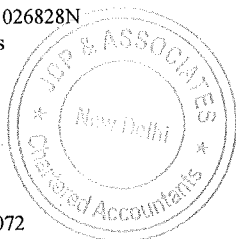
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As per our report of even date

For JDP & Associates
Firm Registration No. 026828N
Chartered Accountants



Jatin Kumar
Partner
Membership No. 531072



For and on behalf of the Board of Directors of
Carnation Hotels Private Limited



Ratan Keswani
Whole Time Director
Din: 05317766



Kapil Sharma
Director
Din: 00352890

Place : New Delhi
Date : May 21, 2018

Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

1. Corporate Information

Carnation Hotels Private Limited (the Company) is a private company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the company is located at B-6/17, Safdarjung Enclave, New Delhi-110029.

The Company operates, manage and provide technical services to chain of hotels, motels, resorts, restaurants, etc.

The financial statements were authorised for issue in accordance with a resolution of the directors on May 21, 2018.

2 Basis of preparation

2.1 Significant accounting policies

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

The financial statements have been prepared on a historical cost or at amortised cost except for the following assets and liabilities:

- Net defined benefit (asset)/liability
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments),

The financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakhs, except where otherwise indicated.

2.2 Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.



Carnation Hotels Private Limited

Notes to financial statements for the year ended March 31, 2018

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(b) Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(c) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial



Carnation Hotels Private Limited

Notes to financial statements for the year ended March 31, 2018

statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value. External valuers are involved for valuation of significant assets and liabilities. The management selects external valuer on various criteria such as market knowledge, reputation, independence and whether professional standards are maintained by valuer. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Disclosures for valuation methods, significant estimates and assumptions (note 24)
- Quantitative disclosures of fair value measurement hierarchy (note 28)
- Financial instruments (including those carried at amortised cost) (note 28)

(d) 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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

Sales tax/ value added tax (VAT) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

Income from services

Revenues from management and consultancy contracts are recognized pro-rata over the period of the contract as and when services are rendered. The company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from revenue.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividends

Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Management Fee

Revenue from management services comprises fixed & variable income. Fixed income is recognised pro-rata over the period of the contract as and when services are rendered. Variable income is recognised on an accrual basis in accordance with the terms of the relevant agreement.

Gain/(loss) on sale of investment in mutual funds

Gain/(loss) on sale of investment in mutual funds is recorded as other income on transfer of title from the Company and is determined as the difference between the redemption price and carrying value of the investments.

(e) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised,

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(f) Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation on fixed assets is provided as per Schedule II of Companies Act, 2013 on Straight Line Method over its economic useful life of fixed assets as follows:



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Notes to financial statements for the year ended March 31, 2018

Fixed Assets	Useful life considered (SLM)
Plant & Machinery	15 Year
Building	60 Years
Electrical installations and fittings	10 Years
Office Equipment's	5 Years
Furniture and Fixtures	10 Years
Vehicles	8 Years
Computers	3 Years

The Company, based on management estimates, depreciates certain items of building, plant and equipment over estimated useful lives which are lower than the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end, and adjusted prospectively if appropriate.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(h) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 1, 2015, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other leases are classified as operating lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair



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Notes to financial statements for the year ended March 31, 2018

value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs (See note 2.2.g). Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

- (a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis, or
- (b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

(i) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations,



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which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(j) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The group has no obligation, other than the contribution payable to the provident fund. The group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.



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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.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

The company treats leaves expected to be carried forward for measurement purposes. Such compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability

(I) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)



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Notes to financial statements for the year ended March 31, 2018

- Equity instruments in subsidiaries carried at cost

Debt instruments at amortised cost

A debt instrument is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables, loans to subsidiaries etc. For more information on receivables, refer to Note 8.

Debt instrument at FVTOCI

A debt instrument is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party



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under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Financial assets that are debt instruments and are measured as at FVTOCI
- c) Lease receivables under Ind AS 17
- d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
- e) Loan commitments which are not measured as at FVTPL
- f) Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

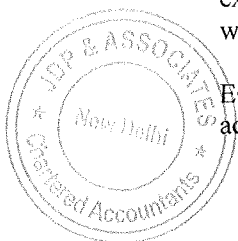
- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all



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Notes to financial statements for the year ended March 31, 2018

cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:
Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.



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Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the group Company are those contracts that require a payment to be made to reimburse the guarantee holder for a loss it incurs because the Company fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees issued by the group Company on behalf the Company are designated as 'Insurance Contracts'.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Contributed equity

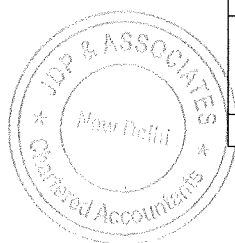
Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date.



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		Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(m) Redeemable Preference Shares

Redeemable Preference Shares are separated into liability and equity components based on the terms of the contract.

On issuance of the Redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

(n) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(o) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. In its measurement, the company does not include depreciation and amortization expense, finance costs and tax expense.

(p) Segment reporting policies

Identification of segments

The management of the Company reviews the specific performance of its respective hotel properties. However, since all hotels have similarity in terms of products and services, customer classes, method of providing services and the regulatory environment, the individual hotels qualify for aggregation. Thus, the management has considered aggregating all the hotels as one reportable operating segment. Accordingly, the figures appearing in these financial statements relate to the Company's single operating segment.



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(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company
- By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year, if any.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

(r) Recent accounting pronouncements

Standards issued but not yet effective

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018. The Company is evaluating the requirements of Ind AS 21 and its effect on the financial statements

Ind AS 115- Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The Company is evaluating the requirements of Ind AS 115 and its effect on the financial statements



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

Rs. In lakhs

3 Property, plant and equipment	Office Furniture	Office equipments	Computers	Vehicles	Total
Cost or valuation					
As at April 1, 2016	-	0.27	0.20	30.40	30.88
Additions	-	-	0.53	-	0.52
Disposals	-	-	-	-	-
As at March 31, 2017	-	0.27	0.73	30.40	31.40
Additions	0.16	-	1.00	55.21	56.37
Disposals	-	-	-	30.40	30.40
As at March 31, 2018	0.16	0.27	1.73	55.21	57.37
Depreciation					
As at April 1, 2016	-	0.12	0.20	5.84	6.16
Charge for the year	-	0.12	0.04	5.82	5.98
Disposals	-	-	-	-	-
As at March 31, 2017	-	0.24	0.24	11.66	12.14
Charge for the year	0.01	0.03	0.37	6.47	6.89
Disposals	-	-	-	14.27	14.27
As at March 31, 2018	0.01	0.27	0.61	3.86	4.75
Net Book value					
As at March 31, 2018	0.15	-	1.12	51.35	52.63
As at March 31, 2017	-	0.03	0.49	18.74	19.26

4 Intangible Assets

Rs. In lakhs

Particulars	Software	Total
Cost or valuation		
As at April 1, 2016	-	-
Additions	-	-
Disposals	-	-
As at March 31, 2017	-	-
Additions	0.47	0.47
Disposals	-	-
As at March 31, 2018	0.47	0.47
Amortisation and impairment		
As at April 1, 2016	-	-
Amortisation	-	-
Disposals	-	-
As at March 31, 2017	-	-
Amortisation	0.02	0.02
Disposals	-	-
As at March 31, 2018	0.02	0.02
Net Block		
As at March 31, 2018	0.45	0.45
As at March 31, 2017	-	-



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

5 Financial assets	<u>March 31, 2018</u>	<u>March 31, 2017</u>
	<u>Rs. In lakhs</u>	<u>Rs. In lakhs</u>
(i) Other financial assets		
Security Deposits	17.85	15.99
	<u>17.85</u>	<u>15.99</u>
Break up of non-current financial assets carried at amortised cost		
Security Deposits	17.85	15.99
Total current financial assets carried at amortised cost	<u><u>17.85</u></u>	<u><u>15.99</u></u>



Carnation Hotels Private Limited

Notes to financial statements for the year ended March 31, 2018

6 Other non-current assets

Advances other than capital advances

Others

Advance Income Tax (net of provision for taxation)

Prepaid expenses

Prepayments

Total

March 31, 2018 **March 31, 2017**

Rs. In lakhs **Rs. In lakhs**

85.59 56.01

204.82 212.10

359.71 372.55

650.12 **640.66**

7 Deferred tax Liabilities/Deferred tax assets (Net)

March 31, 2018 **March 31, 2017**

Rs. In lakhs **Rs. In lakhs**

Deferred tax Liabilities

DTL on split accounting done for preference shares

Deferred tax Liabilities

16.18 18.15

16.18 **18.15**

Deferred tax Assets

Fixed assets : Impact of difference between tax depreciation and depreciation/
amortization charged for financial year

Impact of expenditure charged to the statement of profit and loss in the current/
earlier period but allowable for tax purposes on payment basis

Effect of unabsorbed depreciation and business loss

DTA on security deposits as per Ind AS

DTA on amortisation of prepaid expenses as per Ind AS

MAT credit entitlement receivable

Deferred tax Assets

1.38 0.17

19.05 14.19

- 19.24

6.57 3.54

3.69 1.85

46.12 44.54

76.81 **83.53**

Deferred tax Liabilities/Deferred tax assets (Net)

60.63 **65.38**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2018 and March 31, 2017

Accounting profit / (loss) before income tax

Tax rate

At India's statutory income tax rate of 27.5525%

Effect of incomes taxable at nil/lower/MAT rate

Effect of non-deductible expenses

Income tax charge/ (credit) in respect of earlier year

Impact of change in tax rate

186.17 (103.35)

27.55% 25.75%

51.29 (26.61)

(13.34) (15.08)

0.84 -

0.02 -

2.35 -

41.17 **(41.69)**



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

8 Financial assets	March 31, 2018	March 31, 2017
	Rs. In lakhs	Rs. In lakhs
(i) Trade receivables	282.10	141.38
	<u>282.10</u>	<u>141.38</u>
Break-up for Trade receivables:		
Unsecured, considered good	282.10	141.38
Doubtful	-	-
	<u>282.10</u>	<u>141.38</u>
(ii) Cash and cash equivalents		
Balance with banks		
On current accounts	67.19	32.30
Cash on hand	1.01	0.03
	<u>68.20</u>	<u>32.33</u>
Cash at banks does not earn any interest. Cash at bank are non-interest bearing financial assets.		
(iii) Other financial assets		
Security deposits	0.30	0.30
	<u>0.30</u>	<u>0.30</u>
Break up of current financial assets carried at amortised cost		
Trade receivables	282.10	141.38
Cash and cash equivalents	68.20	32.33
Security deposits	0.30	0.30
Total current financial assets carried at amortised cost	<u>350.60</u>	<u>174.01</u>
9 Other current assets		
Advances recoverable in cash or kind		
- Others	77.64	-
Balance with statutory/ government authorities	0.93	4.64
Prepaid Expenses	0.19	0.12
Total	<u>78.76</u>	<u>4.76</u>



10 Share capital

Authorised Share Capital

	Equity shares	
	No. of shares	Rs. In Lakhs
As at April 1, 2016	1,000,000	10.00
Increase/(decrease) during the year	-	-
As at March 31, 2017	1,000,000	10.00
Increase/(decrease) during the year	-	-
As at March 31, 2018	1,000,000	10.00

5% Redeemable Non-Cumulative Preference Shares

	5% Redeemable Non-Cumulative Preference Shares	
	No. of shares	Rs. In lakhs
As at April 1, 2016	350,000	350.00
Increase/(decrease) during the year	-	-
As at March 31, 2017	350,000	350.00
Increase/(decrease) during the year	-	-
As at March 31, 2018	350,000	350.00

Terms/rights attached to equity shares

The company has only one class of equity shares having par value of Rs. 1 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

The Preference shares are not convertible into equity shares and are reflected in financial liabilities

Issued equity capital

Equity shares of INR 1 each issued, subscribed and fully paid

	Equity shares of INR 1 each issued, subscribed and fully paid	
	No. of shares	Rs. In lakhs
As at April 1, 2016	934,580	9.35
Increase/(decrease) during the year	-	-
As at March 31, 2017	934,580	9.35
Increase/(decrease) during the year	-	-
As at March 31, 2018	934,580	9.35

Shares held by holding company:-

	March 31, 2018		March 31, 2017	
	No. of shares	Rs. In lakhs	No. of shares	Rs. In lakhs
Equity shares of Rs. 1 each fully paid up				
Lemon Tree Hotels Limited	934,580	9.35	934,580	9.35

Details of shareholders holding more than 5% shares in the company:-

Name of the shareholder	March 31, 2018		March 31, 2017	
	No. of shares	% Shareholding	No. of shares	% Shareholding
Equity shares of Rs. 1 each fully paid up				
Lemon Tree Hotels Limited	934,580	100.00%	934,580	100.00%

The Company has not issued Bonus Share, Share for consideration other than Cash and has not bought back shares during the period of five years immediately preceding the reporting date.

11 Other equity

Retained Earnings

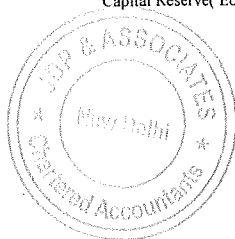
	Rs. In lakhs
As at April 1, 2016	(81.38)
Profit/(loss) for the year	(66.68)
As at March 31, 2017	(148.06)
Profit/(loss) for the year	144.04
As at March 31, 2018	(4.02)

Capital Reserve(Equity Component of Redeemable Preference shares)

	Rs. In lakhs
As at April 1, 2016	52.18
Increase/(decrease) during the year	-
As at March 31, 2017	52.18
Increase/(decrease) during the year	-
As at March 31, 2018	52.18

Other reserves

	March 31, 2018	March 31, 2017
	Rs. In lakhs	Rs. In lakhs
Retained Earnings	(4.02)	(148.06)
Capital Reserve(Equity Component of Redeemable Preference shares)	52.18	52.18
	48.16	(95.88)



Carnation Hotels Private Limited

Notes to financial statements for the year ended March 31, 2018

12 Borrowings	Effective Rate of Interest (%)	Maturity	March 31, 2018 Rs. In lakhs	March 31, 2017 Rs. In lakhs
Non-current borrowings				
Term Loans				
Indian rupee loans from Banks (Secured)				
Vehicle loans (Refer note 1 below)	7.80%	2021-2022	24.85	-
Liability component of compound financial instrument				
Non Convertible preference shares (unsecured)(Refer note 2 below)	5.00%	2024-2027	298.43	291.26
Total non-current borrowings			323.28	291.26
Current borrowings				
Term Loans				
Current maturity of long term loans				
Vehicle loans (Refer note 1 below)	7.80%	2021-2022	8.66	2.99
Total current borrowings			8.66	2.99
Less: Amount clubbed under "other financial liabilities"			(8.66)	(2.99)
Net current borrowings			-	-

Term loans

1.) Vehicle loan is secured by hypothecation of underlying motor vehicle acquired out of such loans. Rate of interest of the loan is 7.80%. The loan is repaid on agreed monthly installments.

2.) Liability component of compound financial instrument represent 5% Redeemable Preference shares, these share shall be non-cumulative, non-convertible, non-participating and shall carry a preferential right, vis-à-vis Equity Shares of the Company, with respect to payment of dividend and repayment in case of a winding up or repayment of capital and shall carry voting rights as per the provisions of Section 47(2) of the Act.

The 5% Redeemable Preference Shares will be redeemed (a) at par, (b) either at Company's option or Shareholder's option and (c) anytime after expiry of one (1) year but on or before expiry of ten (10) years from the date of allotment of the preference shares or on such other terms as varied as per the provisions of Section 48 of the Act.

13 Provisions	March 31, 2018 Rs. In lakhs	March 31, 2017 Rs. In lakhs
Provision for gratuity		
Current	4.65	3.16
Non-current	9.97	8.28
Provision for leave benefits		
Current	6.53	6.25
Non-current	-	-
Total current	11.18	9.41
Total non-current	9.97	8.28



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

14 Financial liabilities

(i) Borrowings

Loan from Holding company*

<u>March 31, 2018</u>	<u>March 31, 2017</u>
<u>Rs. In lakhs</u>	<u>Rs. In lakhs</u>
644.72	612.43
<u>644.72</u>	<u>612.43</u>

*Loan is non interest bearing and is repayable on demand.

(ii) Other financial liabilities

Current maturities of long-term borrowings
Interest accrued but not due on borrowings
Outstanding dues of other creditors

8.66	2.99
51.75	-
61.60	57.60
<u>122.01</u>	<u>60.59</u>

15 Other current liabilities

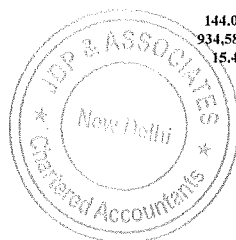
Advance from customers
Statutory dues

-	2.00
42.37	22.62
<u>42.37</u>	<u>24.62</u>



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

	March 31, 2018 Rs. In lakhs	March 31, 2017 Rs. In lakhs
16 Revenue From Operations		
Sale of products and services		
Consultancy for hotel design, development & management	772.11	363.30
Management fee	368.06	125.42
	<u>1,140.17</u>	<u>488.72</u>
17 Other income		
Excess provision/ credit balances written back	0.89	-
Miscellaneous income	0.01	-
Total	<u>0.90</u>	<u>-</u>
18 Employee benefit expense		
Salaries, wages and bonus	427.93	284.43
Contribution to provident fund and other funds	4.49	4.39
Gratuity expense	2.38	5.54
Leave compensation expenses	0.49	4.79
Staff welfare expenses	6.90	5.43
Total	<u>442.19</u>	<u>304.58</u>
19 Other expenses		
Subscription charges	0.72	0.55
Repair and maintenance		
- Others	7.27	5.97
Rent	384.85	253.85
Rates and taxes	0.05	0.03
Communication costs	2.86	3.97
Printing and stationery	0.01	0.03
Traveling and conveyance	4.12	3.16
Vehicle running and maintenance	3.27	3.05
Training expenses	12.00	
Legal and professional fees	17.70	4.11
Bad debts and advances written off	0.35	2.57
Loss on sale of property, plant & equipment (net)	8.13	-
Payment to auditors	0.40	0.23
Fair value loss on financial instruments at fair value through profit or loss	-	1.76
Miscellaneous expenses	0.26	-
Total	<u>441.99</u>	<u>279.28</u>
Payment to auditor		
Statutory audit fees	0.40	0.23
	<u>0.40</u>	<u>0.23</u>
20 Finance cost		
Interest		
- on loans from others	57.50	-
- on vehicle loans	1.36	0.86
- on others	7.17	6.99
Bank charges	0.02	0.02
Total	<u>66.05</u>	<u>7.87</u>
21 Depreciation and Amortization Expense		
Depreciation of tangible assets	6.89	5.98
Amortization of intangible assets	0.02	-
Total	<u>6.91</u>	<u>5.98</u>
22 Finance income		
Interest Income on :		
- Interest on income tax refund	0.37	-
-Others	1.87	1.39
Profit on sale of investment	-	4.25
	<u>2.24</u>	<u>5.64</u>
23 Earnings Per Share (Basic And Diluted)		
Profit/(Loss) after Tax (Rs. In lakhs)	144.04	(66.67)
Weighted Average Number of Equity Shares	934,580	934,580
Basic & Diluted EPS	15.41	(7.13)



24. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Company as lessee

The Company has taken certain land and land and building on long term lease basis. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the fair value of the asset, that it does not have all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Contingent liabilities

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Estimates and assumptions

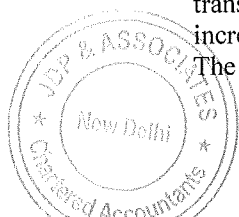
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using other valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring



Carnation Hotels Private Limited

Notes to financial statements for the year ended March 31, 2018

activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

Further details about gratuity obligations are given in Note 25.

25. Gratuity and other post-employment benefit plans

Rs. In lakhs

	March 31, 2018	March 31, 2017
Gratuity plan	14.62	11.44
Total	14.62	11.44

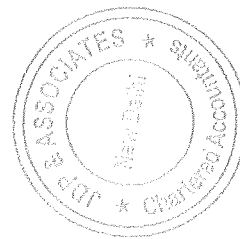
The Company has a defined benefit gratuity plan. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The Company makes provision of such gratuity asset/ liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method.



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

Changes in the defined benefit obligation and fair value of plan assets as at March 31, 2018:

		Remeasurement gains/(losses) in other comprehensive income							Rs. in lakhs		
Gratuity cost charged to profit or loss		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in profit or loss	Benefits paid	Sub-total included in OCI	Contributions by employer	March 31, 2018	
April 1, 2017	Service cost	1.54	0.84	2.38	(0.16)	-	0.08	0.88	0.96	-	14.62
	Net interest expense	-	-	-	-	-	-	-	-	-	-
	Sub-total	1.54	0.84	2.38	(0.16)	-	0.08	0.88	0.96	-	14.62
	Defined benefit obligation	11.44	1.54	0.84	2.38	(0.16)	0.08	0.88	0.96	-	14.62
	Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
	Benefit liability	11.44	1.54	0.84	2.38	(0.16)	0.08	0.88	0.96	-	14.62



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

Changes in the defined benefit obligation and fair value of plan assets as at March 31, 2017:

		Remeasurement gains/(losses) in other comprehensive income							Rs. in lakhs		
Gratuity cost charged to profit or loss		Sub-total included in profit or loss	Net interest expense	Service cost	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	March 31, 2017
April 1, 2016											
	4.75	1.33	0.35	1.68	-	-	-	5.01	5.01	-	11.44
Defined benefit obligation	-	-	-	-	-	-	-	-	-	-	-
Fair value of plan assets	4.75	1.33	0.35	1.68	-	-	-	5.01	5.01	-	11.44
Benefit liability											



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2018	March 31, 2017
Discount rate:	%	%
Pension plan	7.20%	7.40%
Future salary increases:		
Pension plan	5.00%	5.00%
Life expectation for pensioners at the age of 65:		
Pension plan	Years	Years
Male	60	60
Female	60	60

A quantitative sensitivity analysis for significant assumption as at March 31, 2018 is as shown below:

India gratuity plan:

	March 31, 2018	March 31, 2018	March 31, 2018	March 31, 2018
Assumptions	Discount rate		Future salary increases	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation	0.37	0.39	0.40	0.38
	March 31, 2017	March 31, 2017	March 31, 2017	March 31, 2017
Assumptions	Discount rate		Future salary increases	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation	0.30	0.32	0.32	0.31

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the defined benefit plan in future years:



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

Duration (Years)	<i>Rs. in lakhs</i>	
	For the year ended March 31, 2018	For the year ended March 31, 2017
1	4.82	3.28
2	3.06	2.99
3	3.37	1.90
4	1.55	2.12
5	1.20	0.96
Above 5	4.14	3.15
Total expected payments	18.14	14.40

The average duration of the defined benefit plan obligation at the end of the reporting period is 4 years (March 31, 2017: 4 years).

26. Commitments and contingencies

a. Leases

Operating lease commitments — Company as lessee

The Company has entered into operating leases on hotel buildings, with lease terms between Thirty years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The Company has paid Rs. 384.85 lakhs (March 31, 2017 Rs. 253.85 lakhs) during the year towards minimum lease payment.

Future minimum rentals payable under non-cancellable operating lease are, as follows:

	<i>Rs. In lakhs</i>	
	March 31, 2018	March 31, 2017
Within one year	372.00	372.00
After one year but not more than five years	1,619.25	1,488.00
More than five years	16,405.93	17,188.18
	18,397.18	19,048.18

b. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for:

At March 31, 2018, the Company had commitments of Rs. Nil (March 31, 2017: Nil)



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

27. Related Party Transactions

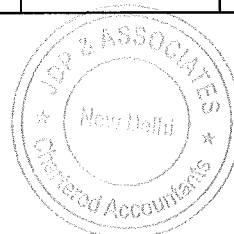
a) Names of related parties

Holding company	- Lemon Tree Hotels Limited
Enterprise in which Holding company has Significant influence	- Mind Leaders Learning India Private Limited
Key Management Personnel	- Mr Rattan Keswani (Whole Time Director) - Mr. Patanjali Govind Keswani (Director) - Mr. Kapil Sharma (Director)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year

Rs. in lakhs

Transactions with Related party	Year Ended	Holding Company	Key Management Personnel	Enterprise in which Holding company has significant influence
Loan taken				
Lemon Tree Hotels Limited	31-Mar-18	118.00	-	-
	31-Mar-17	824.00	-	-
Repayment Of Loan Taken				
Lemon Tree Hotels Limited	31-Mar-18	85.00	-	-
	31-Mar-17	212.50	-	-
Reimbursement of expenses				
Lemon Tree Hotels Limited	31-Mar-18	7.83		
	31-Mar-17	9.14		
Training Fee				
Mind Leaders Learning India Private Limited	31-Mar-18	-	-	12.96
	31-Mar-17	-	-	-



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Transactions with Related party	Year Ended	Holding Company	Key Management Personnel	Enterprise in which Holding company has significant influence
Interest Expense				
Lemon Tree Hotels Limited	31-Mar-18	57.50	-	-
	31-Mar-17	-	-	-
Salary Paid/Payable				
Rattan Keswani	31-Mar-18		215.36	-
	31-Mar-17	-	193.54	-
Balance outstanding as at year end				
Lemon Tree Hotels Limited	31-Mar-18	696.47	-	-
	31-Mar-17	612.43	-	-
Rattan Keswani	31-Mar-18		3.50	-
	31-Mar-17		3.26	-

Commitments with related parties

The company has not entered into any commitments with related parties during the year.

28. Fair values

This section gives an overview of the significance of financial instruments for the company and provides additional information on the balance sheet. Details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument.



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

a. Financial instruments by category

Rs. in lakhs

	31-March-2018		31-March-17	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial Assets				
Trade Receivables	-	282.10	-	141.38
Security Deposits	-	18.15	-	16.29
Cash and Cash Equivalents	-	68.20	-	32.33
Total Financial Assets	-	368.45	-	190.00

Rs. in lakhs

	31-March-18		31-March-17	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial Liabilities				
Borrowings	-	968.00	-	903.69
Other Financial Liabilities	-	122.00	-	60.59
Total Financial Liabilities		1,090.00		964.28

b. Fair value measurement hierarchy for assets and liabilities

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The Company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement which are described as follows:

i) Level 1

Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

ii) Level 2

Inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability.

iii) Level 3



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Inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

Financial assets and liabilities measured at fair value

Rs. in lakhs

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments as FVTPL	-	-	-	-

Rs. in lakhs

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments as FVTPL	-	-	-	-

The management assessed that fair values of cash and cash equivalents, trade receivables, trade payables, bank overdrafts, Interest accrued on bank deposits with banks, other current financial assets and other current financial liabilities approximates their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of loans, security deposits, borrowings and other financial assets and liabilities are considered to be the same as their fair values, as there is an immaterial change in the lending rates.

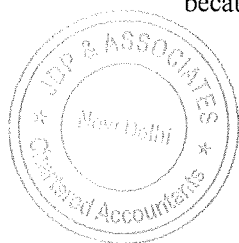
29. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to support its operations. The Company's financial assets include loans, trade and other receivables, and cash & cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. This financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each risk, which are summarised as below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk,



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Notes to financial statements for the year ended March 31, 2018

currency risk and other price risk. Financial instruments affected by market risk include loans and borrowings, deposits and payables/receivables in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company is carrying its borrowings primarily at variable rate. The Company expects the variable rate to decline, accordingly the Company is currently carrying its loans at variable interest rates.

Trade receivables and Security Deposits

Customer credit risk is managed by business through the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of each customer is assessed and credit limits are defined in accordance with this assessment. Outstanding customer receivables and security deposits are regularly monitored.

An impairment analysis is performed for all major customers at each reporting date on an individual basis. In addition, a large number of minor receivables are grouped into homogenous group and assessed for impairment collectively. The calculation is based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 27. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company has no exposure in foreign currency.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including loans to related parties, deposits with banks and financial institutions and other financial instruments.

(a) Trade receivables

Customer credit risk is managed by each business location subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with the assessment both in terms of number of days and amount.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 27. The Company does not hold collateral as security.

(b) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury



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Notes to financial statements for the year ended March 31, 2018

department in accordance with the Company's policy. Investment of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2018 and 31 March 2017 is the carrying amount as illustrated in Note 27.

<i>Rs. in lakhs</i>		
Ageing	31-March-18	31-March-17
Not due	-	44.18
0-60 days past due	202.16	72.48
61-120 days past due	63.70	6.80
121-180 days past due	9.90	1.16
180-365 days past due	6.34	11.54
365-730 days past due	-	5.22
more than 730 days	-	-

Liquidity risk

The Company monitors its risk of a shortage of funds by estimating the future cash flows. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, cash credit facilities and bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturity within 12 months can be rolled over with existing lenders. The Company had access to the following undrawn borrowing facilities at the end of the reporting periods.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
<i>Rs. In lakhs</i>						
Year ended						
March 31, 2018						
Borrowings (other than Preference Shares)	644.72	2.10	6.56	24.85	-	678.23
Other payables	113.33	-	-	-	-	113.33
	758.05	1.40	7.27	24.85	-	791.56
Year ended						
March 31, 2017						
Borrowings (other than Preference Shares)	612.43	1.48	1.51	-	-	615.42
Financial Liabilities	57.60	-	-	-	-	57.60
	670.03	1.48	1.51	-	-	673.02



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

30. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade payables, less cash and cash equivalents.

	<i>Rs. In lakhs</i>	
	<u>31-March-18</u>	<u>31-March-17</u>
Borrowings (other than preference share)	976.66	906.68
Other financial liabilities	113.34	57.60
Less: cash and cash equivalents (Note 7)	68.20	32.33
Net debt	<u>1,021.80</u>	<u>931.96</u>
Total capital(Including preference share)	354.13	204.73
Capital and net debt	<u>1,375.93</u>	<u>1,136.69</u>
Gearing Ratio	74.10%	81.99%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

31. There is no unhedged foreign currency exposure as at the balance sheet date.
32. The Company's holding company has confirmed that it shall provide continuing financial support to the Company to pay off its debts, as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis.



Carnation Hotels Private Limited
Notes to financial statements for the year ended March 31, 2018

33. Previous Year Comparatives

Last year financial statements have been audited by predecessor auditors Jain Jindal & Co.

As per our report of even date

For JDP & Associates
Firm Registration No. 026828N
Chartered Accountants



Jatin Kumar
Partner
Membership No. 531072



**For and on behalf of the Board of Directors of
Carnation Hotels Private Limited**



Rattan Keswani
Whole Time Director
Din: 05317766



Kapil Sharma
Director
Din: 00352890

Place :New Delhi
Date : May 21, 2018