

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEMON TREE HOTELS LIMITED

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Lemon Tree Hotels Limited (hereinafter referred to as "the Parent"), its subsidiaries and Limited Liability Partnership Firm (the Parent, its subsidiaries and Limited Liability Partnership Firm together referred to as "the Group"), which includes Group's share of profit in its associates comprising the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its Associates in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

The respective Board of Directors/ Partners of the companies/firm included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and for preventing and detecting frauds and other irregularities; the 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Parent, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing 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 consolidated Ind AS financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated 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 the accounting policies used and the reasonableness of the accounting estimates made by the Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries, Limited Liability Partnership Firm and associates referred to below in the Other Matters paragraph, the aforesaid consolidated 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 Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2018, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Other Matters

- (a) We did not audit the financial statements of 19 subsidiaries and 1 Limited Liability Partnership Firm (as mentioned below), whose financial statements reflect total assets of Rs.106,631.91 lacs as at March 31, 2018, total revenues of Rs. 14,056.63 lacs and net cash inflows amounting to Rs. 159.65 lacs for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net profit of Rs. 57.67 lacs for the year ended March 31, 2018, as considered in the consolidated Ind AS financial statements, in respect of 2 associates viz., Mindleaders Learning India Private Limited and Pelican Facilities Management Private Limited, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates is based solely on the reports of the other auditors.

Subsidiaries and Limited Liability Partnership Firm included in consolidated Ind AS financial statements are as below:

A. Subsidiaries -

1. PSK Resorts and Hotels Private Limited
2. Canary Hotels Private Limited
3. Sukhsagar Complexes Private Limited
4. Nightingale Hotels Private Limited
5. Manakin Resorts Private Limited
6. Begonia Hotels Private Limited
7. Oriole Dr Fresh Hotels Private Limited



8. Carnation Hotels Private Limited
9. Grey Fox Project Management Company Private Limited
10. Dandelion Hotels Private Limited
11. Lemon Tree Hotel Company Private Limited
12. Red Fox Hotel Company Private Limited
13. Meringue Hotels Private Limited
14. Valerian Management Services Private Limited
15. Inovoa Hotels and Resorts Limited
16. Iora Hotels Private Limited
17. Ophrys Hotels Private Limited
18. Bandhav Resorts (P) Limited
19. Celsia Hotels Private Limited

- B. Limited liability partnership firm -
1. Mezereon Hotels LLP

- (b) We did not audit the financial statements of Krizm Hotel Private Limited Employee Welfare Trust (the "Trust") whose financial statements reflect total revenues of Rs. Nil, total assets of Rs. 1,710.90 lacs and net cash inflows of Rs. 11.32 lacs for the year ended March 31, 2018, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report have been furnished to us by the management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of such trust, is based solely on the report of other auditor.

Our opinion on the consolidated Ind AS financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements and the other financial information of subsidiaries, and associates companies incorporated in India, referred in the Other Matters paragraph above we report, to the extent applicable, 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 purposes of our audit of the aforesaid consolidated Ind AS financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.



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Haskins & Sells LLP**

- (e) On the basis of the written representations received from the directors of the Parent as on March 31, 2018 taken on record by the Board of Directors of the Parent and the reports of the statutory auditors of its subsidiary companies and associate companies incorporated in India, none of the directors of the Group companies and its associate companies incorporated in India 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 and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Parent, subsidiary companies and associate companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies, for the reasons stated therein
- (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 Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates.
 - ii. The Group and its associates did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company

For Deloitte Haskins & Sells LLP

Chartered Accountants

(Firm's Registration No. 117366W / W-100018)



A handwritten signature in black ink, appearing to read "Vijay Agarwal".

Vijay Agarwal
(Partner)

(Membership No. 094468)

Place: New Delhi
Date: May 25, 2018

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

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

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Lemon Tree Hotels Limited (hereinafter referred to as “Parent”), its subsidiary companies and its associates.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent, its subsidiary companies and its associate companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent, its subsidiary companies and its associate companies, which are companies incorporated in India, 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 and the audit evidence obtained by other auditors of the subsidiary companies and associate companies, which are companies incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent, its subsidiary companies and its associate companies, which are companies incorporated in India.

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 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 to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors referred to in the Other Matters paragraph below, the Parent, its subsidiary companies and its associate companies, which are companies incorporated in India, have, 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 criteria for internal financial control over financial reporting established by the respective companies 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.



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Other Matters

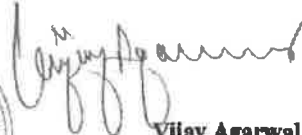
Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 19 subsidiary companies and 2 associate companies, which are companies incorporated in India, is based solely on the corresponding reports of the auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For Deloitte Haskins & Sells LLP

Chartered Accountants

(Firm's Registration No. 117366W / W-100018)

A handwritten signature in black ink, appearing to read "Vijay Agarwal".

Vijay Agarwal

(Partner)

(Membership No. 094468)

Place: New Delhi
Date: May 25, 2018

Lemon Tree Hotels Limited
Consolidated Balance Sheet as at March 31, 2018

	Note	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3	144,889.33	140,723.06
(b) Capital work-in-progress	4	55,590.95	34,940.66
(c) Investment Property	5	248.71	250.10
(d) Intangible assets	6	868.63	860.93
(e) Intangible assets under development	6	316.95	140.40
(f) Financial assets	7		
(i) Investments		261.30	0.26
(ii) Loans		1,615.50	1,083.60
(iii) Other non-current financial assets		4,699.70	3,970.16
(g) Non-current tax assets (net)	17.2	1,873.41	2,100.78
(h) Other non-current assets	8	21,660.75	28,743.03
		<u>231,002.03</u>	<u>212,814.98</u>
Current assets			
(a) Inventories	9	538.83	493.67
(b) Financial assets	10		
(i) Trade receivables		5,382.37	3,144.53
(ii) Cash and cash equivalents		2,102.04	1,759.21
(iii) Investments	7	1,195.30	632.89
(iv) Loans		26.88	46.86
(v) Other current financial assets		1,661.52	31.31
(c) Other current assets	11	3,037.72	2,249.54
		<u>15,815.25</u>	<u>8,359.21</u>
Total Assets		<u>246,817.30</u>	<u>221,174.19</u>
EQUITY AND LIABILITIES			
Equity			
(a) Share capital	12	78,639.32	78,121.30
(b) Other Equity	13	3,844.81	2,735.90
Equity attributable to owners of the parent		<u>81,484.13</u>	<u>80,857.20</u>
(c) Non-controlling interest	14	42,864.35	47,836.28
Total Equity		<u>124,348.48</u>	<u>128,693.48</u>
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	15	93,131.27	69,070.26
(ii) Other non-current financial liabilities		136.55	48.49
(b) Provisions	16	161.62	135.64
(c) Deferred tax liabilities (net)	17.1	428.23	674.18
(d) Other non-current liabilities	18	3,720.53	2,082.74
		<u>97,457.17</u>	<u>71,911.31</u>
Current liabilities			
(a) Financial liabilities	19		
(i) Borrowings		3,570.04	6,745.98
(ii) Trade payables		8,112.65	6,044.51
(iii) Other current financial liabilities		11,171.07	10,583.83
(b) Provisions	16	266.30	226.46
(c) Other current liabilities	20	1,773.48	1,658.62
		<u>24,893.54</u>	<u>25,609.40</u>
Total Liabilities		<u>121,468.63</u>	<u>97,480.71</u>
Total Equity and Liabilities		<u>245,817.11</u>	<u>226,174.19</u>

See accompanying notes forming part of the financial statements

1 to 50

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Vijay Kumar
Vijay Kumar
Partner

For and on behalf of the Board of Directors of
Lemon Tree Hotels Limited

Patnajan G. Kervand
Patnajan G. Kervand
(Chairman & Managing Director)
DIN-00012974

Kapil Sharma
Kapil Sharma
(Chief Financial Officer)

Nikhil Sethi
Nikhil Sethi
(Group Company Secretary & GM Legal)
Mem no - A18883

Place : New Delhi
Date : May 25, 2018



Place : New Delhi
Date : May 25, 2018



Lemon Tree Hotels Limited
Consolidated Statement of Profit and Loss for the year ended March 31, 2018

	Note	For the year ended March 31, 2018 Rs. In lakhs	For the year ended March 31, 2017 Rs. In lakhs
Revenue from operations	21	48,426.15	41,208.07
Other income	22	780.68	822.72
Total Income (I)		49,206.83	42,030.79
Expenses			
Cost of food and beverages consumed	23	4,358.32	3,532.67
Employee benefits expense	24	10,987.49	9,688.92
Other expenses	25	19,492.49	16,339.75
Total Expenses (II)		34,838.30	29,561.34
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I-II)		14,368.53	12,469.45
Finance costs	26	7,836.90	7,757.41
Finance income	27	(476.19)	(356.25)
Depreciation and amortization expense	28	5,261.74	5,101.24
Profit/(Loss) before exceptional items and tax		1,775.68	(32.95)
Share of profit of associates		57.81	-
Profit/(Loss) before tax		1,833.49	(32.95)
Tax expense:			
(1) Current tax	30	627.59	318.67
(2) Deferred tax		(249.76)	160.39
Profit/(Loss) for the year		1,455.36	(512.01)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss			
(i) Remeasurements of defined benefit plans		(1.91)	10.38
(ii) Income tax effect		0.10	(2.88)
Total comprehensive income/(loss) for the year		1,453.55	(504.51)
Profit/(Loss) for the year		1,455.36	(512.01)
Attributable to:			
Equity holders of the parent		1,419.43	(616.58)
Non-controlling interests		35.93	104.57
Total comprehensive income/(loss) for the year		1,453.55	(504.51)
Attributable to:			
Equity holders of the parent		1,419.08	(624.29)
Non-controlling interests		34.47	119.78
Earnings per equity share			
(1) Basic	29	0.18	(0.08)
(2) Diluted	29	0.18	(0.08)

See accompanying notes forming part of the financial statements 1 to 50

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants

Vijay Agarwal
Vijay Agarwal
Partner



Place : New Delhi
Date : May 25, 2018

For and on behalf of the Board of Directors of
Lemon Tree Hotels Limited

Patanjali G. Kewani
Patanjali G. Kewani
(Chairman & Managing Director)
DIN-00002974

Nikhil Sood
Nikhil Sood
(Group Company Secretary & GM Legal)
Mem. no - A18883

Place : New Delhi
Date : May 25, 2018

Kapil Sharma
Kapil Sharma
(Chief Financial Officer)



Lemon Tree Hotels Limited
Consolidated Statement of Changes in Equity as at March 31, 2018

A. Equity Share Capital

Equity shares of Rs. 10 each issued, subscribed and fully paid

As at April 1, 2016
 Issued during the year - Exercise of ESOP
 Issued during the year - other than ESOP
 As at March 31, 2017
 Issued during the year - Exercise of ESOP
 Issued during the year - other than ESOP
 Change in shares held by ESOP trust
 As at March 31, 2018

No. of shares	Amount (Rs. in lakhs)
778,041,431	77,804.11
2,871,592	287.19
300,000	30.00
781,213,023	78,121.30
2,314,770	231.44
2,839,248	283.92
41,609	4.16
786,373,151	78,637.33

B. Other Equity
 For the year ended March 31, 2018

	Reserves and Surplus						Other equity		
	Capital reserve	Capital redemption reserve	Securities Premium	Share Based Payments	General Reserve	Surplus in the statement of profit and loss	Items of Other comprehensive income	Non-controlling interests	
							Measurement gains (losses) on defined benefit plans and income tax effect		
As at April 1, 2016	8,455.59	45.08	8,699.91	177.82	3,038.24	(17,122.51)	5.77	42,773.46	45,753.27
Profit/(Loss) for the year	-	-	-	-	-	(512.01)	7.50	-	(512.01)
Other Comprehensive Income for the year	-	-	-	-	-	(119.78)	-	119.78	7.50
Total Comprehensive Income for the year attributable to non-controlling interests	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	34.50	114.13	-	-	-	-	34.50
Exercise of share options	-	-	176.13	-	-	-	-	-	176.13
Gains on forward disposal of subsidiary (also refer note 42)	54.61	-	-	-	-	-	-	-	54.61
Dividends during the year due to non-controlling interests	-	-	-	-	-	-	-	(56.96)	(56.96)
As at March 31, 2017	8,500.20	45.08	8,964.57	292.12	3,038.24	(17,754.30)	13.27	42,886.28	45,372.18
Profit/(Loss) for the year	-	-	-	-	-	1,433.36	-	-	1,433.36
Other Comprehensive Income for the year	-	-	-	-	-	(34.47)	(1.81)	34.47	(1.81)
Total Comprehensive Income for the year attributable to non-controlling interests	-	-	-	-	-	-	-	-	-
Issue of share capital	-	-	324.33	-	-	-	-	-	324.33
Share-based payments	-	-	94.54	-	-	-	-	-	94.54
Amount transferred from share based payment reserve to securities premium	-	-	88.39	(88.39)	-	-	-	-	-
Exercise of share options	-	-	239.22	-	-	-	-	-	239.22
Amount on acquisition of additional interest in subsidiary (also refer note 42)	(1,965.38)	-	-	-	-	1.48	-	-	(1,964.10)
Change in shares held by ESOP trust	-	-	(4.16)	-	-	-	-	-	(4.16)
Movements during the year	-	-	-	-	-	-	-	(6.40)	(6.40)
As at March 31, 2018	6,534.82	45.08	9,602.15	203.77	3,038.24	(16,331.82)	11.46	42,864.35	45,719.16

See accompanying notes forming part of the financial statements

As per our report of even date

For Deloitte Haskins & Sells LLP
 Chartered Accountants

(Signature)
 Vinod Kumar
 Partner



Place: New Delhi
 Date: May 23, 2018

For and on behalf of the Board of Directors of
 Lemon Tree Hotels Limited

(Signature)
 Praveen G. Kulkarni
 Managing Director
 DIN: 000000000000000000

Member
 (Company Secretary & GM Legal)
 Mem no: 000000000000000000

Place: New Delhi
 Date: May 23, 2018



Lemon Tree Hotels Limited

Consolidated Cash flow statement for the year ended March 31, 2018

	For the year ended March 31, 2018 Rs. In lakhs	For the year ended March 31, 2017 Rs. In lakhs
A. Cash flow from operating activities		
Profit/(loss) before tax	1,833.19	(32.95)
Non-cash adjustments to reconcile profit/(loss) before tax to net cash flows:		
Depreciation and amortisation expenses	5,261.74	5,101.24
Lease equalisation reserve	637.78	648.75
Finance income (including fair value change in financial instruments)	(461.93)	(719.76)
Finance costs	7,370.62	6,731.10
Advance written off	0.35	5.19
Provision for gratuity	25.60	37.92
Provision for leave encashment	16.33	21.18
Share based payments to employees	94.54	114.13
Excess provision/ credit balances written back	(6.06)	(57.33)
Profit on relinquishment of rights	(670.00)	(600.00)
Provision for litigations	21.98	21.98
Provision for doubtful debts	5.18	22.44
Net loss on sale of property, plant and equipment	8.63	21.59
Net gain on sale of current investments	(8.99)	(26.55)
Operating profit before working capital changes:*	14,128.96	11,688.93
Movements in working capital:		
Increase in trade receivables	(2,113.02)	(718.44)
Increase in loans and advances and other current assets	(2,191.04)	(991.69)
(Increase) / Decrease in inventories	(45.16)	44.84
Increase in liabilities and provisions	1,989.03	2,560.64
Cash Generated from Operations	11,768.77	12,584.28
Direct taxes paid (net of refunds)	(317.18)	(419.51)
Net cash flow from operating activities (A)	11,451.59	12,164.77
B. Cash flows used in investing activities		
Purchase of property, plant and equipment including CWIP, capital advances and capital creditors	(24,323.27)	(23,042.89)
Proceeds from sale of property, plant and equipment	28.27	70.66
Profit on relinquishment of rights	670.00	600.00
Acquisition of shares in subsidiaries	(1,965.58)	(836.38)
(Purchase)/sale of other non current investments	(260.94)	0.88
Purchase of current investments	(504.00)	(30.78)
Interest received	348.94	319.76
Net Cash flow used in investing activities (B)	(26,006.58)	(22,918.75)
C. Cash flows from financing activities**		
Proceeds from issuance of share capital	1,077.40	476.24
Proceeds from Minority Interest (issuance of share capital by Subsidiaries)	(6.39)	-
Proceeds from long term borrowings	64,039.60	23,572.35
Repayment of long term borrowings	(39,625.77)	(5,981.74)
Repayment of short term borrowings	(3,178.24)	(203.21)
Interest paid	(7,409.89)	(6,731.10)
Net Cash flow from financing activities (C)	14,896.71	11,132.54

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Lemon Tree Hotels Limited

Consolidated Cash flow statement for the year ended March 31, 2018

	For the year ended March 31, 2018 Rs. In lakhs	For the year ended March 31, 2017 Rs. In lakhs
Net increase/(decrease) in cash and cash equivalents (A + B + C)	341.72	378.56
Cash and cash equivalents at the beginning of the year	1,759.21	1,380.63
Cash and cash equivalents acquired in amalgamation (Refer note 43)	2.03	-
Cash and cash equivalents at the end of the year	2,102.96	1,759.21
Components of cash and cash equivalents		
Cash on Hand	70.17	39.46
Balances with Scheduled Banks in - Current accounts	2,032.79	1,719.75
Total cash and cash equivalents	2,102.96	1,759.21

*Includes working capital movement on account of amalgamation (Refer note 43)

**There are no non-cash changes arising from financing activities.

See accompanying notes forming part of the financial statements.

1 to 50

As per our report of even date

For Deloitte Haskins & Sells LLP
Chartered Accountants


Vijay Kulkarni
Partner



Place : New Delhi
Date : May 25, 2018

For and on behalf of the Board of Directors of
Lemon Tree Hotels Limited


Pawanjit G. Karwal
(Chairman & Managing Director)
DIN-00002974


Nikhil Sethi
(Group Company Secretary & GM Legal)
Mem. No. A18883

Place : New Delhi
Date : May 25, 2018


Kapil Sharma
(Chief Financial Officer)



Lemon Tree Hotels Limited

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

1. Corporate Information

Lemon Tree Hotels Limited (the Company) is a public 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 Asset No. 6, Aerocity Hospitality District, New Delhi-110037.

The Company, its subsidiaries, associates and limited liability partnership (together referred as "The Group") intend to carry out business of developing, owning, acquiring, renovating, operating, managing and promoting hotels, motels, resorts, restaurants, etc. under the brand name of Lemon Tree Hotel, Lemon Tree Premier and Red Fox Hotel. Also, some of the Group companies provide Project Management Services and Learning & Development services.

The consolidated financial statements are approved for issue by the Board of directors on May 25, 2018.

2 Basis of preparation of financial statements and Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with Indian Accounting Standard (Ind AS), and the provisions of the Companies Act, 2013 ('the Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Effective April 1, 2016, the Group has adopted Indian Account Standards (Ind AS) and the adoption was carried out in accordance with Ind AS 101 'First time adoption of Indian Accounting Standards, with April 1, 2015 as the transition date. The transition was carried out from Indian GAAP as prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

The consolidated financial statements have been prepared on a going concern basis using historical cost convention and on an accrual method of accounting, except for certain financial assets and liabilities which are measured at fair value/ amortised cost (refer note 37).

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries, associates and limited liability partnership (together referred as "The Group") as at March 31, 2018. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:



Lemon Tree Hotels Limited

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31st March.

On transition to IND AS, the Group has elected to continue with the carrying value of all of its property plant and equipment recognised as at April 1, 2015 in the consolidated financial statements, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property plant and equipment.

Consolidation procedure:

- (a) Combine like items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiaries are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- (b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- (c) Eliminate in full intragroup assets and liabilities, equity, income and expenses relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



Lemon Tree Hotels Limited

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

A change in the ownership interest of a subsidiary (including deemed acquisition/ deemed disposal), without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.
- Assets (or disposal Groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.



Lemon Tree Hotels Limited

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

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with Ind AS 18 Revenue.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These



Lemon Tree Hotels Limited

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

adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with Ind AS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Distributions received from an associate reduce the carrying amount of the investment. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised directly in equity as capital reserve in the period in which the investment is acquired.

After application of the equity method of accounting, the Group determines whether there any is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment in an associate and that event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. If there exists such an objective evidence of impairment, then it is necessary to recognise impairment loss with respect to the Group's investment in an associate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with Ind AS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with Ind AS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with Ind AS 109. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or



Lemon Tree Hotels Limited

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

loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

(b) Current versus non-current classification

The Group 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 Group classifies all other liabilities as non-current.

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

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

(c) Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group 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).



Lemon Tree Hotels Limited

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

(d) Fair value measurement

The Group measures financial instruments 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 Group.

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 Group 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 consolidated financial 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 consolidated financial statements on a recurring basis, the Group 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 Group determines the policies and procedures for both recurring fair value measurement, 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 Group'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 Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.



Lemon Tree Hotels Limited

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

The management, in conjunction with the Group'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 Group 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.

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 30)
- Quantitative disclosures of fair value measurement hierarchy (note 37)
- Financial instruments (including those carried at amortised cost) (note 37)

(e) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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 Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group 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)/Goods & service tax(GST) is not received by the Group 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.

Rooms, Restaurant, Banquets and Other Services

Income from guest accommodation is recognized on a day to day basis after the guest checks into the Hotels and are stated net of allowances. Incomes from other services are recognized as and when services are rendered. Sales are stated exclusive of Service Tax, Value Added Taxes (VAT), GST and Luxury Tax. Difference of revenue over the billed as at the period-end is carried in financial statement as unbilled revenue separately.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, sale of food and beverage are recognized at the points of serving these items to the guests. Sales are stated exclusive of Sales Tax / VAT/GST.

Interest income

For all financial instruments measured at amortized cost, 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 Group's right to receive the payment is established, which is generally when shareholders approve the dividend.



Lemon Tree Hotels Limited

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

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.

(f) Taxes

Tax expense represents current income tax and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 Group 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.

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, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits (including MAT credit) 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, except:



Lemon Tree Hotels Limited

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets (including MAT credit available) 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date.

If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

Sales/ value added taxes/GST paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes/GST paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.



Lemon Tree Hotels Limited

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

(g) Property, plant and equipment

On transition to IND AS, the Company has elected to continue with the carrying value of all of its property plant and equipment recognised as at April 1, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property plant and equipment.

Capital work in progress is stated at cost, 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. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

When significant parts of plant and equipment are required to be replaced at intervals, the Group 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:

Fixed Assets	Useful life considered
Plant & Machinery	15 Year
Building	60 Years
Electrical installations and fittings	10 Years
Office Equipments	5 Years
Furniture and Fixtures	8 Years
Crockery, cutlery and soft furnishings	3 Years
Commercial Vehicles	6 Years
Private Vehicles	8 Years
Computers	3 Years

The Group, 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.



Lemon Tree Hotels Limited

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

(h) Intangible assets

On transition to IND AS, the Company has elected to continue with the carrying value of all of its property plant and equipment recognised as at April 1, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property plant and equipment.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as 3 years and the same shall be amortised on Straight line basis over its useful life.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually at each year end either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

(i) Investment properties

On transition to IND AS, the Company has elected to continue with the carrying value of all of its Investment properties recognised as at April 1, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such Investment properties.

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

The Group depreciates building component of investment property over 60 years from the date of original purchase.

Though the Group measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.



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(j) Borrowing costs

Borrowing cost includes interest expense as per Effective Interest Rate (EIR).

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset until such time that the assets are substantially ready for their intended use. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such current investments is deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the company during the year. Capitalisation of borrowing costs is suspended and charged to profit and loss during the extended periods when the active development on the qualifying assets is interrupted.

Effective interest rate (EIR) is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial liability or a shorter period, where appropriate, to the amortised cost of a financial liability after considering all the contractual terms of the financial instrument.

(k) 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 contains lease on the basis of facts and circumstances existing on the date of transition.

Group 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 Group is classified as a finance lease. All other leases are classified as operating lease.

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 Group 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.



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Group as a lessor

Leases in which the Group 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.

Operating lease receipt are recognised as income 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 receipt from the lessee are not on that basis, or
- (b) The receipts from the lessee are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If receipts from the lessee vary because of factors other than general inflation, then this condition is not met.

Stamp duties payable to local authorities on registration of lease agreements, are recognised as prepaid expense and charged off to Statement of Profit and Loss on an equitable basis over the lease term.

Conversion charges payable to local authorities on conversion of use of industrial plot for hotel purposes, are recognised as prepaid expense and charged off to statement of profit and loss on an equitable basis over the lease term.

(l) Inventories

Stock of food & beverages, stores and operating supplies are valued at lower of cost and net realisable Value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make sale.

(m) Impairment of non-financial assets

The Group 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 Group 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 Group 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 Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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



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flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group 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 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 Group 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.

(n) Provisions

General

Provisions are recognised when the Group 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. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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.

(o) Deferred Revenue

The Group operates a loyalty point's programme, which allows customers to accumulate points when they obtain services in the Group's Hotels. The points can be redeemed for free products/ nights, subject to a minimum number of points being obtained. Consideration received is allocated between the Room Revenue and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

(p) 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



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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.

Retirement benefit in the form of gratuity is a defined benefit scheme. Gratuity liability of employees is accounted for on the basis of actuarial valuation on projected unit credit method at the close of the year. Group's contribution made to Life Insurance Corporation is expenses off at the time of payment of premium.

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 Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group 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

Retirement benefits in the form of Superannuation Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

The Group 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. Remeasurement gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Group 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 Group 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.



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(q) 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 Group 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)

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 Group. 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.³ The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables etc. For more information on receivables, refer to Note 10.

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 Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is



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reclassified from the equity to Statement of Profit and Loss. 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 Group 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 Group 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.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments included within the FVTPL or FVTOCI category are measured at fair value with all changes recognized in the P&L or OCI.

Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The Group 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 under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

In accordance with Ind AS 109, the Group 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) Trade receivables or any contractual right to receive cash or another financial asset

The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables:

- 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 Group 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.



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For recognition of impairment loss on other financial assets and risk exposure, the Group 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.

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 Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all 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

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.

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 Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and financial guarantee contracts.

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



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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. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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 Group 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 Group 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 Group. 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.

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. For more information refer Note 15.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

If a financial guarantee is an integral element of a debt instrument held by the entity, it should not be accounted for separately.

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.



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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.

(r) 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.

(s) Share-based payments

Certain employees (including senior executives) of the Group receive part of their remuneration in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over share (equity-settled transactions).

The cost of equity-settled transactions with employees is determined measured at fair value at the date at which they are granted using an appropriate valuation model. That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.



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The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(t) Cash Flow Statement

Cash flows are reported using the indirect method, where by profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

(u) Measurement of EBITDA

The Group 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. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Group does not include depreciation and amortization expense, interest income, finance costs, and tax expense.

(v) Recent accounting pronouncements

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 Group 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 Group is evaluating the requirements of Ind AS 115 and its effect on the financial statements.



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

3. Property, plant & equipment

Particulars	Tangible Assets										Rs. In lakhs	
	Freehold land	Building on freehold land	Building on leasehold land	Plant and Machinery	Electrical fittings	Electrical equipments	Office equipments	Furniture and Fixtures	Crockery, cutlery and soft furnishings	Computers	Vehicles	Total (Tangible Assets)
Gross Carrying amount												
As at April 1, 2016	28,075.27	46,725.30	27,796.52	11,958.97	4,101.99	2,345.43	317.03	5,099.65	718.72	200.63	424.72	127,763.23
Additions	8,665.34	10,019.65	-	2,276.39	16.15	68.78	41.52	871.59	376.40	77.34	165.61	22,578.77
Additions on inclusion of new subsidiary	110.00	353.11	-	17.85	-	20.19	1.88	12.52	-	0.41	18.40	534.36
Disposals	-	-	-	3.53	5.10	1.46	25.40	116.97	1.94	3.54	99.01	256.05
As at March 31, 2017	36,850.61	57,096.06	27,796.52	14,240.68	4,113.04	2,432.94	335.03	5,866.79	1,094.08	274.84	509.72	150,619.31
Additions	6,025.90	2,045.19	1.68	264.08	129.58	129.18	23.23	192.82	108.59	55.78	421.09	9,397.22
Acquired on amalgamation (Refer note 43)	-	-	-	-	0.08	-	0.12	0.65	-	1.20	-	2.05
Disposals	-	0.28	-	19.36	0.08	0.87	1.27	5.60	-	2.11	125.39	154.96
As at March 31, 2018	42,876.51	59,146.97	27,798.20	14,494.41	4,242.62	2,561.25	357.11	6,054.66	1,202.77	329.71	805.42	159,863.62
Depreciation												
As at April 1, 2016	-	782.20	586.56	1,058.84	650.87	345.95	89.75	1,021.97	322.32	77.26	70.84	5,007.08
Charge for the year	-	821.32	545.08	1,138.59	665.09	362.11	8.58	1,047.67	273.71	68.67	111.72	5,042.55
On account of inclusion of new subsidiary	-	4.11	-	1.20	1.37	1.37	0.12	1.29	-	0.15	3.23	11.46
Disposals	-	-	-	1.21	5.03	0.69	23.98	69.70	1.94	3.16	60.03	164.84
As at March 31, 2017	-	1,606.63	1,131.64	2,197.42	1,310.93	709.74	74.47	2,001.23	595.49	142.92	125.76	9,896.25
Charge for the year	-	955.68	533.37	1,304.42	623.84	378.39	45.54	931.60	220.81	70.85	133.70	5,196.19
Disposals	-	0.04	-	9.90	-	0.48	1.15	1.70	-	0.91	100.87	118.05
As at March 31, 2018	-	2,562.26	1,665.01	3,491.94	1,934.77	1,087.64	118.86	2,928.14	816.31	212.86	358.59	14,974.39
Net Block												
As at March 31, 2018	42,876.51	56,580.71	26,133.19	11,002.47	2,307.86	1,473.61	238.26	3,126.52	386.46	116.85	616.83	144,889.23
As at March 31, 2017	36,850.61	55,489.43	26,664.88	12,052.27	2,802.11	1,723.20	260.56	3,865.55	498.59	131.93	383.96	140,723.06

Net book value

As at March 31, 2018 As at March 31, 2017

Property, plant and equipment

144,889.23 140,723.06

Notes

a). Certain property, plant and equipments are pledged as collateral against borrowings, the details related to which have been described in Note no. 15 on "Borrowings".



Lemon Tree Hotels Limited

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

4. Capital work-in-progress

	As at March 31, 2018 (Rs in lakhs)	As at March 31, 2017 (Rs in lakhs)
Hotel at Shimla		
Material	568.53	414.00
Project staff expenses	72.43	60.11
-Salary wages & bonus	29.73	29.73
Professional charges	83.57	80.72
Others	2.66	2.67
	756.92	587.23
Hotel at Guragon Sector 60 (Lemon Tree)		
Material	-	4,125.57
Professional charges	-	827.33
Borrowing cost	-	368.10
-Salary wages & bonus	-	150.78
Project staff expenses other then salary	-	81.13
Rates and Taxes	-	477.36
Others	-	237.53
	-	6,267.80
Less Capitalised during the year	-	6,267.80
	-	-
Hotel at Guragon Sector 60 (Red Fox)		
Material	-	1,931.95
Professional charges	-	407.77
Borrowing cost	-	119.83
Rates and Taxes	-	393.89
-Salary wages & bonus	-	124.99
Project staff expenses other then salary	-	45.54
Others	-	128.95
	-	3,152.92
Less Capitalised during the year	-	3,152.92
	-	-
Hotel at City Center Pune		
Material	7,096.25	4,200.43
Professional charges	1,538.34	1,242.39
Borrowing cost	1,072.29	782.00
-Salary wages & bonus	155.74	129.54
Project staff expenses other then salary	89.00	47.61
Travelling	12.26	8.92
Rates and taxes	1,666.51	571.12
Others	21.04	11.10
	11,651.43	6,993.11



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018

	As at March 31, 2018 (Rs in lakhs)	As at March 31, 2017 (Rs in lakhs)
Hotel at Mumbai		
Material	9,677.34	6,347.79
Professional charges	2,093.51	1,541.80
Borrowing cost	966.47	231.29
-Salary wages & bonus	271.56	186.94
Project staff expenses other then salary	272.55	226.31
Travelling	41.93	36.28
Rates and taxes	5,161.16	4,274.86
Others	182.54	181.85
	18,667.06	13,027.12
Hotel at Udaipur		
Material	9,728.08	5,268.15
Professional charges	1,249.02	936.02
Borrowing cost	680.56	240.72
-Salary wages & bonus	168.64	85.47
Project staff expenses other then salary	49.35	28.14
Travelling	16.62	12.22
Rates and taxes	46.89	30.55
Others	0.26	0.26
	11,939.42	6,601.53
Hotel at Kolkata		
Material	2,768.79	1,293.55
Professional charges	659.42	522.39
Borrowing cost	204.11	34.10
-Salary wages & bonus	90.73	52.28
Project staff expenses other then salary	62.95	39.22
Travelling	5.33	4.20
Others	1.35	1.06
	3,792.68	1,946.80
Hotel at MIAL Aerocity, Mumbai		
Material	71.12	4.12
Professional charges	3,168.92	2,436.97
Lease rent	4,006.00	2,723.29
-Salary wages & bonus	23.93	5.97
Project staff expenses other then salary	8.52	4.14
Travelling	25.98	16.22
Rates and taxes	1,280.37	345.83
Others	31.87	24.49
	8,616.71	5,561.03
Hotel at Bandhavgarh, Madhya Pradesh		
Material	740.95	206.53
Professional charges	213.54	2.28
-Salary wages & bonus	18.46	8.46
Project staff expenses other than salary	0.10	0.05
Travelling	4.41	3.38
Rates and taxes	0.66	0.66
Others	6.31	2.48
	984.43	223.84
	(984.43)	-
		223.84
Less:- Capitalised during the year		



Lemon Tree Hotels Limited**Notes to Consolidated financial statements for the year ended March 31, 2018**

	As at March 31, 2018 (Rs in lakhs)	As at March 31, 2017 (Rs in lakhs)
Hotel at Dehradun		
Material	157.01	-
Project staff expenses other than salary	1.10	-
Rates and Taxes	0.82	-
Others	7.80	-
	<u>166.73</u>	<u>-</u>
Hotel at Banjara Hills		
Material	175.78	-
Project staff expenses other than salary	20.49	-
Miscellaneous government expenses/fees	7.36	-
	<u>203.63</u>	<u>-</u>
Less:- Capitalised during the year	<u>203.63</u>	<u>-</u>
		<u>-</u>
Total	55,590.95	34,940.66



Lemon Tree Hotels Limited

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

5. Investment Property

Rs. In lakhs

Particulars	Total
Cost or valuation	
As at April 1, 2016	258.89
Additions	-
As at March 31, 2017	258.89
Additions	-
As at March 31, 2018	258.89
Depreciation and Impairment	
As at April 1, 2016	4.40
Charge for the year	4.39
As at March 31, 2017	8.79
Charge for the year	4.39
As at March 31, 2018	13.18
Net Block	
As at March 31, 2018	245.71
As at March 31, 2017	250.10

Information regarding income and expenditure of Investment property:

	March 31, 2018	March 31, 2017
	Rs in lakhs	Rs in lakhs
Rental income derived from investment property	11.62	14.42
Direct operating expenses (including repairs and maintenance) generating rental income	-	-
Direct operating expenses (including repairs and maintenance) that did not generate rental income	(0.99)	(0.99)
Profit arising from investment properties before depreciation and indirect expenses	10.63	13.43
Less – Depreciation	(4.39)	(4.39)
Profit arising from investment properties before indirect expenses	6.24	9.04

The Group's investment properties consist of a commercial property in India. The management has determined that the investment property consist of one classes of asset – office space – based on the nature, characteristics and risks of the property. The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties.

As at March 31, 2018 and March 31, 2017, the fair values of the property is Rs. 258.89 lacs and Rs. 258.89 lacs respectively. These valuations are based on valuations performed by an external independent valuer at the time of acquisition of property. The management has considered these valuations on the basis that there is no material change in the value of property since acquired.



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018
Reconciliation of fair value:

Particulars	Rs in lakhs
Opening balance as at 1 April 2016	258.89
Fair value difference	-
Purchases	-
Closing balance as at March 31, 2017	258.89
Fair value difference	-
Purchases	-
Closing balance as at March 31, 2018	258.89

Description of valuation techniques used and key inputs to valuation on investment properties:

Valuation technique	Significant unobservable Inputs
Sales comparable method	Location Size of building Quality of building Visibility of unit Furnished/unfurnished



Lemon Tree Hotels Limited

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

6. Intangible Assets

<i>Rs. In lakhs</i>			
Particulars	Software	Goodwill	Total
Cost or valuation			
As at April 1, 2016	198.26	-	198.26
Additions (refer note 43)	109.76	673.42	783.19
Disposals	41.29	-	41.29
As at March 31, 2017	266.73	673.42	940.16
Additions	47.84	-	47.84
Acquired on Amalgamation (Refer note 43)	-	2.63	2.63
Disposals	-	-	-
As at March 31, 2018	314.57	676.05	990.62
Amortisation and impairment			
As at April 1, 2016	65.15	-	65.15
Amortisation	55.37	-	55.37
Disposals	41.29	-	41.29
As at March 31, 2017	79.23	-	79.23
Amortisation	62.75	-	62.75
Disposals	-	-	-
As at March 31, 2018	141.97	-	141.97
Net Block			
As at March 31, 2018	172.59	676.05	848.65
As at March 31, 2017	187.50	673.42	860.93

Net book value

	As at March 31, 2018	As at March 31, 2017
Intangible assets	848.65	860.93
Intangible assets under development (Software implementation)	316.95	140.40



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018
7 Financial assets
(i) Investments
Unquoted equity shares of associate companies (at cost)

340,000 (March 31, 2017: nil) equity shares of Mindleaders Learning India Private Limited of Re.1 each fully paid.

60.91

-

Quoted investments at fair value through Profit & Loss
Mutual funds

9,633.444 (March 31, 2017: 10,422) units of Reliance Money Manager Fund-Direct Plan-Growth Option

340.99

237.26

15,084.926 (March 31, 2017: 11,016.85) units of Reliance Money Manager Fund-Direct Growth Plan Growth Option

583.84

250.80

3,788.341 (March 31, 2017: 5,648) units of Reliance liquid fund treasury plan

173.31

128.59

389.747 (Previous year Nil) Units of Reliance Liquid Fund-Cash Plan-Direct Growth Plan

10.94

-

1599.181 (Previous year Nil) Units of Reliance Treasury Plan-Direct Growth Plan

67.80

-

703 (March 31, 2017: 703) units of Reliance liquid fund direct plan

18.41

17.24

Other unquoted investments at fair value through Profit and Loss

2,567 (March 31, 2017: 2,567) equity shares of SEP Energy Private Limited of Rs.10 each fully paid.

0.26

0.26

3,184 (March 31, 2017: Nil) equity shares of School of Hospitality India Private Limited of Rs.10 each fully paid.

200.04

-

1,456.50

634.15

Aggregate book value of quoted investments

1,195.30

633.89

Aggregate market value of quoted investments

1,195.30

633.89

Current

1,195.30

633.89

Non-Current

261.20

0.26

1,456.50

634.15

As at
March 31, 2018
Rs. In lakhs

As at
March 31, 2017
Rs. In lakhs

(ii) Loans
Unsecured, considered good

Loans to employees at amortised cost

1,615.50

1,085.60

1,615.50

1,085.60

As at
March 31, 2018
Rs. In lakhs

As at
March 31, 2017
Rs. In lakhs

(iii) Other Non- current financial assets
Unsecured, considered good

Security deposits at amortised cost

3,525.88

2,904.65

Interest accrued on deposits with banks

341.15

276.58

Fixed deposits under lien*

832.67

788.93

4,699.70

3,970.16

* Fixed deposits under lien includes deposits lien marked with banks against guarantees issued in favour of various Government departments.



Lemon Tree Hotels Limited

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

8 Other non-current assets

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Unsecured, considered good		
Capital advances	1,369.12	6,968.13
Balance with statutory/ government authorities	48.81	66.83
Prepaid stamp duty	286.74	228.29
Prepaid conversion charges (Also refer note 41)	502.48	512.55
Prepaid expenses	317.37	304.46
Unamortized portion of security deposits and loans	19,136.23	20,662.77
Total	21,660.75	28,743.03



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Lemon Tree Hotels Limited

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

9 Inventories

(Valued at lower of cost or net realisable value)

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Food and beverages (excluding liquor and wine)	154.12	102.47
Liquor and wine	105.43	111.86
Stores, cutlery, crockery, linen, provisions and others	279.28	279.34
Total	538.83	493.67

As at March 31, 2018: Rs. 36.14 lakhs, (March 31, 2017: Rs. 44.50 lakhs) was recognised as an expense for inventories carried at net realisable value

Refer footnote to Note 15 for inventories pledged.



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Lemon Tree Hotels Limited

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

10 Financial assets

(i) Trade receivables

Trade receivables

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
	5,252.37	3,144.53
	5,252.37	3,144.53
Break-up for security details:		
Secured, considered good	-	1.18
Secured, considered doubtful	-	1.18
Unsecured, considered good	5,252.37	3,143.35
Unsecured, considered doubtful	40.50	35.47
	5,292.87	3,181.18
Impairment Allowance (allowance for bad and doubtful debts)		
Secured, considered doubtful	-	1.18
Unsecured, considered doubtful	40.50	35.47
	40.50	36.65
Total Trade receivables	5,252.37	3,144.53

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days from the date of invoice.

(ii) Cash and cash equivalents

Balance with banks

On current accounts
Cash on hand

	As At March 31, 2018 Rs. In lakhs	As At March 31, 2017 Rs. In lakhs
	2,032.79	1,719.75
	70.17	39.46
	2,102.96	1,759.21

Apart from the balance shown above, as on March 31, 2018, the Company has Rs. 32,233.37 lakhs in escrow account maintained with Axis Bank on account of proceeds from IPO. This amount has not been included in the balance with banks shown above as the same has been held in trust on behalf of selling shareholders.

(iii) Loans

Loans and advances to employees

	As At March 31, 2018 Rs. In lakhs	As At March 31, 2017 Rs. In lakhs
	26.55	46.86
	26.55	46.86

(iv) Other current financial assets

Other bank balances - fixed deposits
Security deposits
Commission receivable
Expenses recoverable

	As At March 31, 2018 Rs. In lakhs	As At March 31, 2017 Rs. In lakhs
	0.35	2.00
	331.76	29.10
	1.68	0.41
	1,327.73	-
	1,661.52	31.51



Lemon Tree Hotels Limited

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

11 Other current assets

	As At March 31, 2018 Rs. In lakhs	As At March 31, 2017 Rs. In lakhs
Advances recoverable		
- Employee advance	1.04	1.77
- Others, considered good	485.49	366.88
- Others, considered doubtful	8.76	8.75
	<u>495.29</u>	<u>377.40</u>
Provision for doubtful advances	8.76	8.75
	<u>486.53</u>	<u>368.65</u>
Accrued revenue	13.75	308.49
Balance with statutory/ government authorities	859.91	653.41
Prepaid stamp duty	13.71	25.51
Prepaid conversion charges (Also refer note 41)	10.07	10.07
Prepaid expenses	417.35	564.83
Unamortized portion of security deposits and loans	1,236.40	318.58
Total	<u><u>3,037.72</u></u>	<u><u>2,249.54</u></u>



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Lemon Tree Hotels Limited

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

12 Share capital

Authorised Share Capital

As at April 1, 2016
Increase/(decrease) during the year
As at March 31, 2017
Increase during the year (on amalgamation)
As at March 31, 2018

Equity shares

No. of shares	Rs. In lakhs
998,550,000	99,855.00
-	-
998,550,000	99,855.00
2,890,000	289.00
1,001,440,000	100,144.00

5% Redeemable Cumulative Preference Shares

As at April 1, 2016
Increase/(decrease) during the year
As at March 31, 2017
Increase during the year (on amalgamation)
As at March 31, 2018

No. of shares	Rs. In lakhs
145,000	145.00
-	-
145,000	145.00
-	-
145,000	145.00

Terms/rights attached to equity shares

The company has only one class of equity shares having par value of Rs. 10 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.

Issued equity capital

Equity shares of INR 10 each issued, subscribed and fully paid

As at 1 April 2016*
Issued during the year - Exercise of ESOP
Issued during the year - other than ESOP
As at 31 March 2017*
Issued during the year - Exercise of ESOP
Issued during the year - other than ESOP
Change in shares held by ESOP trust
As at 31 March 2018*

No. of shares	Rs. In lakhs
778,041,131	77,804.11
2,871,902	287.19
300,000	30.00
781,213,033	78,121.30
2,318,370	231.84
2,820,248	282.02
41,600	4.16
786,393,251	78,639.32

* excluding 19,432 equity shares (March 31, 2017: 61,032 shares, March 31, 2016: 61,032 shares) held by ESOP trust which has been consolidated in accordance with the requirement of IndAS 102. The movement is explained below :-



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018

As at April 1, 2016

Issued during the year - Exercise of ESOP
 Issued during the year - other than ESOP

As at March 31, 2017

Issued during the year - Exercise of ESOP
 Issued during the year - other than ESOP
 Change in shares held by ESOP trust

As at March 31, 2018

	Share capital		Shares held by ESOP trust		Share capital (net)	
	No. of shares	Rs. In lakhs	No. of shares	Rs. In lakhs	No. of shares	Rs. In lakhs
As at April 1, 2016	778,102,163	77,810.22	61,032	6.10	778,041,131	77,804.11
Issued during the year - Exercise of ESOP	2,871,902	287.19	-	-	2,871,902	287.19
Issued during the year - other than ESOP	300,000	30.00	-	-	300,000	30.00
As at March 31, 2017	781,274,065	78,127.41	61,032	6.10	781,213,033	78,121.30
Issued during the year - Exercise of ESOP	2,318,370	231.84	-	-	2,318,370	231.84
Issued during the year - other than ESOP	2,820,248	282.02	-	-	2,820,248	282.02
Change in shares held by ESOP trust	-	-	(41,600)	(4.16)	41,600	4.16
As at March 31, 2018	786,412,683	78,641.27	19,432	1.94	786,393,251	78,639.32

Details of shareholders holding more than 5% shares in the Company

Equity shares of Rs. 10 each fully paid up

Maplewood Investment Limited
 Spank Management Services Private Limited
 RJ Corp Limited
 APG Strategic Real Estate Pool N.V.

	As at		As at	
	March 31, 2018		March 31, 2017	
	No. of shares	% held	No. of shares	% held
Maplewood Investment Limited	192,908,118	24.53%	192,908,118	24.69%
Spank Management Services Private Limited	207,375,759	26.37%	180,122,627	23.06%
RJ Corp Limited	78,748,368	10.01%	78,748,368	10.08%
APG Strategic Real Estate Pool N.V.	118,730,914	15.10%	118,730,914	15.20%

Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 35

Aggregate number of bonus share issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

	March 31, 2018	March 31, 2017
No. of shares	No. of shares	No. of shares
Equity shares allotted as fully paid, pursuant to amalgamations (Refer note 43)	88,997,722	32,486,000
Equity shares allotted as fully paid bonus shares by capitalization of securities premium and capital redemption reserve	646,125,652	646,125,652

Equity shares allotted as fully paid, pursuant to amalgamations (Refer note 43)
 Equity shares allotted as fully paid bonus shares by capitalization of securities premium and capital redemption reserve

In addition, the company has issued total 6,980,404 shares (March 31, 2017 : 4,884,737) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP).



Lemon Tree Hotels Limited**Notes to Consolidated financial statements for the year ended March 31, 2018****13 Other equity****Securities Premium**

	Rs. In lakhs
As at April 1, 2016	8,699.91
Add: On issue of shares	34.50
Add: additions on ESOPs exercised (excluding transferred from stock options outstanding)	176.13
Add: transferred from stock options outstanding	43.83
Less: amounts utilized toward issue of fully paid bonus shares	
As at March 31, 2017	8,954.37
Add: premium on issue of shares	324.33
Add: additions on ESOPs exercised	239.22
Add: transferred from stock options outstanding	88.39
Change in shares held by ESOP trust	(4.16)
As at March 31, 2018	9,602.15

Retained Earnings

	Rs. In lakhs
As at April 1, 2016	(17,116.74)
Profit/(loss) for the year	(624.29)
As at March 31, 2017	(17,741.03)
On disposal of subsidiary	1.48
Profit for the year	1,419.08
As at March 31, 2018	(16,320.47)

Capital Reserve

	Rs. In lakhs
As at April 1, 2016	8,145.59
Increase/(decrease) during the year	54.61
As at March 31, 2017	8,200.20
Gain on acquisition of additional interest in subsidiary (Refer note 42)	(1,965.58)
As at March 31, 2018	6,234.62

General Reserve

	Rs. In lakhs
As at April 1, 2016	3,035.24
Increase/(decrease) during the year	-
As at March 31, 2017	3,035.24
Increase/(decrease) during the year	-
As at March 31, 2018	3,035.24



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018
Share-based payments

	Rs. In lakhs
As at April 1, 2016	171.82
Add:- Expense for the year (Refer note 35)	114.13
Less:- transferred to securities premium on exercise of stock options	(43.83)
As at March 31, 2017	242.12
Add:- Expense for the year (Refer note 35)	94.54
Less:- transferred to securities premium on exercise of stock options	(88.39)
As at March 31, 2018	248.27

Capital redemption reserve

	Rs. In lakhs
As at April 1, 2016	45.00
Increase/(decrease) during the year	-
As at March 31, 2017	45.00
Increase/(decrease) during the year	-
As at March 31, 2018	45.00

Other reserves

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Securities Premium	9,602.15	8,954.37
Retained Earnings	(16,320.47)	(17,741.03)
Capital Reserve	6,234.62	8,200.20
General Reserve	3,035.24	3,035.24
Share-based payments	248.27	242.12
Capital redemption reserve	45.00	45.00
	2,844.81	2,735.90

Notes:

Capital reserve: Capital reserve represents reserve on consolidation of subsidiary.

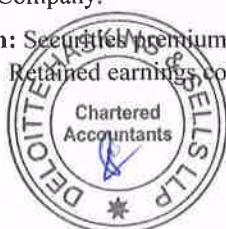
General reserve: Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paidup capital of the Company for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn.

Share-based payments: The Group has two share option schemes under which options to subscribe for the Group's shares have been granted to certain executives and senior employees. The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 34 for further details of these plans.

Capital redemption reserve: The Companies Act provides that companies redeeming its preference shares at face value or nominal value is required to transfer an amount into capital redemption reserve. This reserve can be used to issue fully paid-up bonus shares to the shareholders of the Company.

Securities premium: Securities premium comprises premium received on issue of shares

Retained earnings: Retained earnings comprise balances of profit and loss at each year end.



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
14 Non-controlling interest		
Non-controlling interest	42,864.35	42,836.28



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Lemon Tree Hotels Limited

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

15 Borrowings

Non-current borrowings

Term Loans

Indian rupee loans from Banks (Secured)

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Kotak Mahindra Bank Limited (Refer footnote 1 to 6 below)	12,471.73	6,647.53
Andhra Bank (Refer footnote 7 below)	-	2,171.25
The Ratnakar Bank Limited (Refer footnote 8 to 12 below)	3,715.98	10,593.45
Yes bank Limited (Refer footnote 13 to 18 below)	39,686.57	31,966.34
HDFC Bank Limited (Refer footnote 23 to 25 below)	12,984.26	2,027.38
Vehicle loans (Refer footnote 19 below)	368.40	159.95
Axis Bank Limited (Refer footnote 26 & 27 below)	16,554.76	6,414.37

Rupee term loans from financial institutions (Secured)

Aditya Birla Finance Limited (Refer footnote 20 to 22 below)	7,349.67	9,089.99
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Total non-current borrowings

93,131.37	69,070.26
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Current borrowings

Term Loans

Current maturity of long term loans

Kotak Mahindra Bank Limited (Refer footnote 1 to 6 below)	1,182.63	1,218.96
Andhra Bank (Refer footnote 7 below)	-	240.00
The Ratnakar Bank Limited (Refer footnote 8 to 12 below)	915.95	1,023.76
Yes bank Limited (Refer footnote 13 to 18 below)	1,043.50	544.00
HDFC Bank Limited (Refer footnote 23 to 25 below)	82.13	42.00
Vehicle loans (Refer footnote 19 below)	108.83	73.86
Axis Bank Limited (Refer footnote 26 & 27 below)	916.25	720.00

Rupee term loans from financial institutions

Aditya Birla Finance Limited (Refer footnote 20 to 22 below)	154.00	188.00
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Total current borrowings

4,403.29	4,050.58
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Less: Amount clubbed under "other current financial liabilities"

(4,403.29)	(4,050.58)
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Net current borrowings

97,534.66	73,120.84
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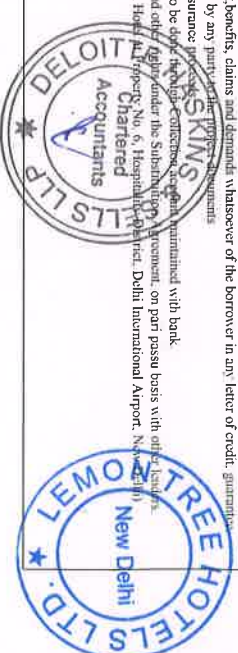


Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018

Formed to Note 15 "Borrowings"

Rs in Lakhs

Note	Lender	Amount Sanctioned	Carrying rate of interest as at March 31, 2018	Carrying rate of interest as at March 31, 2017	Repayment/ Modification of terms	Security/ Principal terms and conditions
1	Koick Mahindra Bank Limited	1,000.00	9.40% (interest rate @ 6 months MCLR rate+ 0.60%)	12.3% (interest rate @ 6 months MCLR rate+ 3.65%)	The loan is repayable in 60 monthly installments of Rs 1,666,667 each along with interest	The Term Loan is secured by way of: a) Exclusive charge on all existing and future current assets of the borrower's hotels located at Gurgaon (city centre new), Aurangabad, Indore, and Sector-29, Gurgaon. b) Subservient charge over all existing and future current assets of the borrower's hotels located at Gurgaon (city centre new), Aurangabad, Indore, and Sector-29, Gurgaon on which bank has exclusive charge. c) Equitable Mortgage by way of exclusive charge on the plot of land at Sector-29, Gurgaon owned by the borrower. Also, exclusive charge over Moveable Fixed assets of the Hotel Property at Sector-29, Gurgaon.
2	Koick Mahindra Bank Limited	2,000.00	9.40% (interest rate @ 6 months MCLR rate+ 0.60%)	11.75% (interest rate @ 6 months MCLR rate+ 3.10%)	The loan is repayable in 20 quarterly installments	The Term Loan is secured by way of: a) Exclusive charge on all existing and future current assets of the borrower's commercial space at Sector-60, Gurgaon. b) Minimum asset cover of 1.25x to be maintained throughout the term of bank's loan as per valuation accepted by bank. c) Subservient charge over all existing and future current assets of the borrower except current assets of the borrower's commercial space at Sector-60, Gurgaon on which bank has exclusive charge. d) Equitable Mortgage by way of exclusive charge on the on the proportionate share of land and building of commercial space of the borrower at Sector-60, Gurgaon. e) Exclusive charge over Moveable Fixed assets of commercial space at Sector-60, Gurgaon.
3	Koick Mahindra Bank Limited	1,000.00	9.40% (interest rate @ 6 months MCLR rate+ 0.60%)	11.75% (interest rate @ 6 months MCLR rate+ 3.10%)	The loan is repayable in 60 monthly installments	The Term Loan is secured by way of: a) Exclusive charge on all existing and future current assets of the borrower's commercial space at Sector-60, Gurgaon. b) Minimum asset cover of 1.25x to be maintained throughout the term of bank's loan as per valuation accepted by bank. c) Subservient charge over all existing and future current assets of the borrower except current assets of the borrower's commercial space at Sector-60, Gurgaon on which bank has exclusive charge. d) Equitable Mortgage by way of exclusive charge on the on the proportionate share of land and building of commercial space of the borrower at Sector-60, Gurgaon. e) Exclusive charge over Moveable Fixed assets of commercial space at Sector-60, Gurgaon.
4	Koick Mahindra Bank Limited	5,200.00	8.80% (interest rate @ 6 months MCLR rate+ 0.60%)	NA	The loan is repayable in 28 quarterly installments	The Term Loan is secured by way of: a) Exclusive charge on all existing and future current assets of the borrower's commercial space at Sector-60, Gurgaon. b) Minimum asset cover of 1.25x to be maintained throughout the term of bank's loan as per valuation accepted by bank. c) Subservient charge over all existing and future current assets of the borrower except current assets of the borrower's commercial space at Sector-60, Gurgaon on which bank has exclusive charge. d) Equitable Mortgage by way of exclusive charge on the on the proportionate share of land and building of commercial space of the borrower at Sector-60, Gurgaon. e) Exclusive charge over Moveable Fixed assets of commercial space at Sector-60, Gurgaon.
5	Koick Mahindra Bank Limited	6,030.00	9.40% (interest rate @ 6 months MCLR rate+ 0.60%)	11.30% (interest rate @ 6 months MCLR rate+ 3.10%)	The loan shall be repaid by way of 120 equal monthly installments starting from month following the month of first disbursement of loan i.e. December 2015.	The loan is secured by: - First and exclusive charge on all existing and future current assets and moveable fixed assets of the company, road Electronic city Phase I Bangalore Karnataka - Corporate guarantee of Flour Hotels Pvt Ltd.
6	Koick Mahindra Bank Limited	6,000.00	8.90% (6 months MCLR plus 50 bps)	NA	The loan is repayable in 48 quarterly installments starting from 39th month following the month of first disbursement	The loan is secured by: - First and exclusive charge on all existing and future current assets, movable and immovable fixed assets of the hotel - Rod Fox Sector - 60, Gurgaon. - Subservient charge on all existing and future current assets of the Borrower except current assets of the hotel - Rod Fox Sector - 60, Gurgaon.
7	Andhra Bank	3,000.00	NA	Interest rate @ base rate + 1.25% + 0.50% i.e. 11.45% from March 2014. Interest was payable monthly, as and when due.	The loan was repayable in scattered quarterly installments beginning 1.25% + 0.50% i.e. 11.45% from March 2014. Interest was payable monthly, as and when due.	Below mentioned charge was satisfied on repayment of loan: (i) First part-passu charge on all the Project's immovable properties (except land), present and future. (ii) First part-passu charge by way of hypothecation of all the Project's movables, including movable plant & machinery, machinery spares, tools & accessories, furniture, fixtures, vehicles and all other movable assets, present and future. (iii) First part-passu charge on the project's book debts, operating cash flows, receivables, commissions, bank accounts (wherever held), revenues of whatever nature and wherever arising, present and future subject to prior change of bankers on specified current assets for securing working capital facilities and subject to prior approval of bank. (iv) First charge by way of assignment or creation of charge in favour of the lender of: (a) All the right, title, interest, benefits, claims and demands whatsoever of the borrower in agreements (development agreement, management agreement, construction contract), duly acknowledged and consented to by the counter party; (b) All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in any letter of credit, guarantee, performance bond provided by any party to the project documents and; (c) All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in any letter of credit, guarantee, performance bond provided by any party to the project documents and; (d) All insurance contracts/insurance proceeds; (v) Part-passu charge along with the other lenders on the letter of credit, escrow account, trust and retention account, debt service reserve account and other reserves and any other bank accounts of the company, wherever maintained. (vi) Right of substitution and other rights under the substitution agreement, on part-passu basis with other lenders.
8	The Remainder Bank Limited	3,000.00	10.25% (interest rate @ 1 year MCLR rate+ 0.40% (Currently 10.25%))	interest rate @ 1 year MCLR rate+ 0.40% (Currently 10.25%)	The loan is repayable in scattered quarterly installment beginning from March 2014. Interest is payable monthly, as and when due.	It is secured by: (i) Exclusive charge on all the Project's immovable properties (except land), present and future. (ii) Exclusive charge by way of hypothecation of all the Project's movables including movable plant & machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future. (iii) Exclusive charge on the project's book debts, operating cash flows, receivables, commissions, bank accounts (wherever held), revenues of whatever nature and wherever arising, present and future subject to prior change of bankers on specified current assets for securing working capital facilities and subject to prior approval of bank. (iv) Exclusive charge by way of assignment or creation of charge in favour of the lender of: (a) All the right, title, interest, benefits, claims and demands whatsoever of the borrower in agreements (development agreement, management agreement, construction contract), duly acknowledged and consented to by the counter party; (b) All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in any letter of credit, guarantee, performance bond provided by any party to the project documents and; (c) All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in any letter of credit, guarantee, performance bond provided by any party to the project documents and; (d) All insurance contracts/insurance proceeds; (v) Part-passu charge along with the other lenders on the letter of credit, escrow account, trust and retention account, debt service reserve account and other reserves and any other bank accounts of the company, wherever maintained. (vi) Right of substitution and other rights under the substitution agreement, on part-passu basis with other lenders.
9	The Remainder Bank Limited	2,420.00	9.8% (interest rate @ 1 year MCLR rate+ 0.55%)	NA	The loan is repayable in scattered quarterly installment. Interest is payable monthly, as and when due.	It is secured by: (i) Exclusive charge on all the Project's immovable properties (except land), present and future. (ii) Exclusive charge by way of hypothecation of all the Project's movables including movable plant & machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, present and future. (iii) Exclusive charge on the project's book debts, operating cash flows, receivables, commissions, bank accounts (wherever held), revenues of whatever nature and wherever arising, present and future subject to prior change of bankers on specified current assets for securing working capital facilities and subject to prior approval of bank. (iv) Exclusive charge by way of assignment or creation of charge in favour of the lender of: (a) All the right, title, interest, benefits, claims and demands whatsoever of the borrower in agreements (development agreement, management agreement, construction contract), duly acknowledged and consented to by the counter party; (b) All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in any letter of credit, guarantee, performance bond provided by any party to the project documents and; (c) All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in any letter of credit, guarantee, performance bond provided by any party to the project documents and; (d) All insurance contracts/insurance proceeds; (v) Part-passu charge along with the other lenders on the letter of credit, escrow account, trust and retention account, debt service reserve account and other reserves and any other bank accounts of the company, wherever maintained. (vi) Right of substitution and other rights under the substitution agreement, on part-passu basis with other lenders.



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018

Footnotes to Note 15 "Borrowings"

Note	Lender	Amount Sanctioned	Carrying rate of Interest as at March 31, 2018	Carrying rate of Interest as at March 31, 2017	Repayment/ Modification of terms	Security/ Principal terms and conditions
10	The Ramnagar Bank Limited	3,000.00	NA	Interest rate @ 1 year MCLR rate+ 0.40% (i.e. 10.25%)	The loan was repayable in scattered quarterly instalment beginning from June 2016. Interest is payable monthly as and when due.	Below mentioned charge was satisfied on repayment of loan: a) First part pass charge on the current assets, entire movable fixed assets and immovable assets of the Hotel Lemon Tree, Udyog Vihar, Hotel Lemon Tree, Pune; Hotel Lemon Tree, Ahmedabad; Hotel Lemon Tree, Chennai; Hotel Lemon Tree, Bangalore and Red Fox Hotel, Hyderabad
11	The Ramnagar Bank Limited	4,300.00	NA	10.25%	The loan is repayable in 32 quarterly instalments starting from Dec'15. Interest is payable monthly as and when due.	Below mentioned charge was satisfied on repayment of loan: - Exclusive charge on all the movable fixed assets of the company's hotel situated at Khasra No. 102/103/433, Village Jhalana, J.L.N. Marg, Jaipur - Exclusive charge on the current assets of Company's hotel including book debts, operating cash flows, intangible revenues both present and future. - Exclusive charge by way of equitable mortgage over land and building of company's hotel (cross collateralised with the exposure granted to Canary Hotels Pvt. Ltd) - Exclusive charge on the property at EDM mall, East Delhi, built on Plot no. 1, Kaushambi, Ghaziabad, Uttar Pradesh (cross collateralised with the exposure granted to Canary Hotels Pvt. Ltd) - Further it is secured by Corporate Guarantee of parent company.
12	The Ramnagar Bank Limited	2,300.00	NA	10.25%	The loan is repayable in 32 quarterly instalments starting from Dec'15. Interest is payable monthly as and when due.	Below mentioned charge was satisfied on repayment of loan: - An exclusive charge on all the movable fixed assets of the company, situated at EDM mall, East Delhi, built on Plot no. 1, Kaushambi, Ghaziabad, Uttar Pradesh - Exclusive charge on all the current assets of Company's hotel including book debts, operating cash flows, intangible revenues both present and future, and - Exclusive charge by way of equitable mortgage over land and building of company's hotel (cross collateralised with the exposure granted to Sukhsagar Complexes Pvt. Ltd) and exclusive charge on the property at Khasra No. 102/103/433, Village Jhalana, J.L.N. Marg, Jaipur (cross collateralised with the exposure granted to Sukhsagar Complexes Pvt. Ltd) - Further it is secured by Corporate Guarantee of parent company.
13	Yes Bank Limited	12,500.00	9.40%	Interest rate @ 6 months MCLR + 0.90% (Currently 9.50%)	The loan is repayable in scattered quarterly instalment beginning from February 2016. Interest is payable monthly as and when due	It is secured by : a) First part pass charge on the current assets, entire movable fixed assets and immovable assets of the Hotel Lemon Tree, Udyog Vihar, Hotel Lemon Tree, Pune; Hotel Lemon Tree, Ahmedabad; Hotel Lemon Tree, Chennai; Hotel Lemon Tree, Bangalore and Red Fox Hotel, Hyderabad. The charge for assets at Red Fox Hotel, Hyderabad has been removed before December 31, 2017 It is secured by : a) Exclusive charge on all immovable fixed assets of Lemon tree hotels Premium, Hyderabad b) Exclusive charge on all movable fixed assets and current assets both present and future of L.T.P., Hyderabad c) Corporate guarantee of Lemon Tree Hotels Limited
14	Yes Bank Limited	12,000.00	9.40%	Interest rate @ 6 months MCLR + 0.90% (Currently 9.50%)	The loan is repayable in scattered quarterly instalment beginning from April 2017	It is secured by : a) Exclusive charge on all immovable fixed assets, movable fixed assets and current assets of Lemon tree Sector 60 Gurgaon, and convention centre within Hotel premises of 20,000 sq ft (approx.) b) Corporate guarantee of Lemon Tree Hotels Limited
15	Yes Bank Limited	4,500.00	9.40%	Interest rate @ 6 months MCLR + 1.15% (Currently 9.75%)	The loan is repayable 44 structured quarterly instalment after a moratorium period of 36 months from the date of first disbursement.	It is secured by : a) Exclusive charge on all immovable fixed assets, movable fixed assets and current assets of Lemon tree Sector 60 Gurgaon, and convention centre within Hotel premises of 20,000 sq ft (approx.) b) Corporate guarantee of Lemon Tree Hotels Limited
16	Yes Bank Limited	2,500.00	9.40%	Interest rate @ 6 months MCLR + 0.90% (Currently 9.50%)	The loan is repayable 48 structured quarterly instalment after a moratorium period of 12 months from the date of first disbursement.	It is secured by : a) First charge on all present and future immovable fixed assets of Red Fox Hotel, Kundli New Delhi. b) First charge on all movable fixed assets and current assets both present and future of Red Fox Hotel, Kundli New Delhi. c) Corporate guarantee of Lemon Tree Hotels Limited.
17	Yes Bank Limited	3,500.00	9.40%	Interest rate @ 6 months MCLR + 0.90% (Currently 9.50%)	The loan is repayable 48 structured quarterly instalment after a moratorium period of 12 months from the date of first disbursement.	It is secured by : a) First charge on all present and future immovable fixed assets of the project (including land and building) Lemon Tree Hotel, Whitefield Bangalore. b) First charge on all movable fixed assets and current assets both present and future of Lemon Tree Hotel, Whitefield Bangalore. c) Corporate guarantee of Fleur Hotels Private Limited
18	Yes Bank Limited	12,500.00	9.65%	Interest rate @ 6 months MCLR + 1.15% (Currently 9.75%)	The loan is repayable 60 structured quarterly instalment after a moratorium period of 60 months from the date of first disbursement	It is secured by : a) Equitable mortgage over 80% share of Land and building (except 2nd basement, ground floor and first floor) on part passu basis with other lenders for the project, Lemon Tree Premier Hotel, Andheri Mumbai. b) First charge (on part passu basis) on the movable fixed assets and all current assets, both present and future of the project, Lemon Tree Premier Hotel, Andheri Mumbai. c) Corporate guarantee of Lemon Tree Hotels Limited
19	Vehicle loan (different banks)	-	Rate of interest of these loans ranges from 8.00 % to 14.00 %	Rate of interest of these loans ranges from 8.00 % to 14.00 %	These loans are repaid on agreed monthly instalments.	Vehicle loan is secured by hypothecation of underlying motor vehicle acquired out of such loans
20	Aditya Birla Finance Limited	4,000.00	NA	Interest rate @ benchmark rate + 2.30% i.e. 11.55%	The loan was repayable in scattered quarterly instalment beginning from December 2016. Interest was payable monthly as and when due	Below mentioned charge was satisfied on repayment of loan: a) First part passu charge on all immovable fixed assets, movable fixed assets and current assets (both present and future) including land and building of the Hotel Lemon Tree, Udyog Vihar, Hotel Lemon Tree, Pune; Hotel Lemon Tree, Ahmedabad; Hotel Lemon Tree, Chennai; Hotel Lemon Tree, Bangalore, Red Fox Hotel, Hyderabad
21	Aditya Birla Finance Limited	5,000.00	9.85%	Base Rate Plus 2.15%	The loan is repayable in 36 Structured Quarterly instalments payable after moratorium period of 12 months from the date of first disbursement.	a) First exclusive charge of all immovable fixed assets (both present and future) of the L.T.H. Gachchowli in dehradun district. b) First exclusive charge on all the movable fixed assets (both present and future) of L.T.H. Gachchowli in dehradun district. c) First exclusive charge on account of entire revenue of L.T.H. Gachchowli in dehradun hotel. d) Corporate guarantee of the Company.

Rs in lakhs



Footnotes to Note 15 "Borrowings"

Note	Lender	Amount Sanctioned	Carrying rate of interest as at March 31, 2018	Carrying rate of interest as at March 31, 2017	Repayment/ Modification of terms	Security/ Principal terms and conditions
22	Aditya Birla Finance Limited	2,350.00	11.4% (Benchmark rate + Spread)	NA	The Loan is repayable in 44 Structured Quarterly Installments payable after moratorium period of 12 months from the date of first disbursement.	It is secured by: a) First exclusive charge on all the immovable fixed assets (both current and future) of the Lemon Tree Hotel EDM to provide minimum cover of 2.00x cover all the times during the tenure of loan. b) First exclusive charge on all the movable fixed assets (both current and future) of the Lemon Tree Hotel EDM. c) First exclusive charge on the escrow account of entire cash flow of Lemon Tree Hotel EDM. d) Unconditional & irrevocable Guarantee by Lemon Tree Hotels Limited, DPN
23	HDFC Bank Limited	2,100.00	9.00% (linked with 1 year MCLR)	interest rate @ for first year (MCLR for 3 years + 0.65 basis points) & 11.15% for remaining tenure of loan (MCLR for 3 years + 1.80 basis points) (Currently 9.70%)	The loan is repayable in 40 step-up quarterly installments.	It is secured by: a) First charge on all the fixed assets, both present and future, of the hotel "Lemon Tree" at Plot No. 3 MW, Phase-1, Industrial Area, Chandigarh, including by hypothecation of all movables and mortgage of leasehold rights on land admeasuring 0.46 acre and building thereon. b) A first & exclusive charge on Projects (Lemon Tree" at Plot No. 3 MW, Phase-1, Industrial Area, Chandigarh) unencumbered book debts, operating cash flows, receivables, commissions, bank accounts (whenever held) if any, present & future all revenues c) Mortgage of leasehold rights of the projects (Lemon Tree" at Plot No. 3 MW, Phase-1, Industrial Area, Chandigarh) land admeasuring 0.46 acre (2241.38 sq yrd) and building thereon.
24	HDFC Bank Limited	10,000.00	9.00% (linked with 1 year MCLR)	NA	The loan is repayable in 44 consecutive quarterly installments after a moratorium of 1 year.	It is secured by: a) First part pass charge by way of mortgage on Select properties. The borrower shall ensure asset cover ratio should not be less than 1.50x (based on market value of security) at all times. b) First part pass charge by way of hypothecation in favor of the lender on all current assets and movable fixed assets including movable plant and machinery, machinery spares, tools and accessories, furniture and fixtures, vehicles and all other movable assets, present and future of Select Properties. Properties:- - Hotel Lemon Tree, Udyog Vihar - Hotel Lemon Tree, Pune, - Hotel Lemon Tree, Ahmedabad - Hotel Lemon Tree, Chennai - Hotel Lemon Tree, Bangalore
25	HDFC Bank Limited	4,300.00	9.00% (linked with 1 year MCLR)	Nil	The Loan is repayable in 26 quarterly installments	It is secured by: - Exclusive charge on all of the Project's (Red Fox Hotel situated at Kharna No 102/103/433, Village Jhalana, J L N Marg Jaipur) land and building - Exclusive charge on Company's hotel movables, including movable plant and machinery, machinery spares, furniture and fixtures and all other movable assets, present and future - Exclusive charge on Project's current assets - book debts, operating cash flows, receivables, commissions, bank accounts both present and future, all revenue. Further it is secured by Corporate Guarantee of parent company.
26	Axis Bank Limited	14,914.00	9.00%	base rate + 2.35% (Currently 11.60%)	The Loan is repayable in 40 quarterly installments with first installment falling due after a period of 3 years from first disbursement. Term Loan III is repayable in 59 quarterly installments commencing 6 months after first disbursement.	It is secured by way of: (a) A first part pass charge on the Borrower's properties & assets, both present & future, pertaining to the Lemon Tree Hotel project of the Company at Delhi Aerocity Hospitality District (Except Project Land). (b) A first part pass charge on Company's bank accounts and all revenues of the Company. (c) Right of substitution provided by DIAL under tripartite agreement between DIAL, Hyatt Hotels and the Lender (d) Pledge of 51% equity shares of the Company in favor of security trustee i.e. Axis Trustee. (e) Corporate guarantee of Lemon Tree Hotels Private Limited and Fluor Hotels Private Limited. A non fund based facility of Rs.3.00 crores from Axis bank Ltd. is secured by second charge, coded by the term loan lenders, on the aforementioned office properties, assets, bank accounts, revenues, right of substitution pertaining to Lemon Tree Hotel project at Delhi Aerocity (except Project land) including pledge of 30% equity shares and guarantee of the Fluor Hotels Private Limited, the maturity date of the TL-I loan is February 2024 & for TL-2 loan of axis bank is September 2024.
27	Axis Bank Limited	2,500.00	9.5% (linked with 1 year MCLR plus 1.25%)	NA	The Loan is repayable in 60 quarterly installments after a moratorium period of 3 years.	It is secured by: a) Equitable mortgage over 80% share of Land and building (except 2nd basement, ground floor and first floor) on pari passu basis with other lenders for the project, Lemon Tree Premier Hotel, Andheri Mumbai. b) First charge (on pari passu basis) on their movable fixed assets and all current assets, both present and future of the project, Lemon Tree Premier Hotel, Andheri Mumbai. c) Corporate guarantee of Lemon Tree Hotels Limited.

(i) The Group has not defaulted in the repayment of loans and interest as at Balance Sheet date.

(ii) Bank loans availed by the Group are subject to certain covenants relating to interest coverage ratio, debt service coverage ratio, capital gearing ratio, fixed assets coverage ratio.

(iii) The Group has complied with the covenants as per the terms of the loan agreement.



Lemon Tree Hotels Limited

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

(ii) Other financial liabilities

Security deposits

As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
136.55	48.49
136.55	48.49

16 Provisions

Provision for gratuity

Current

Non-current

As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
199.04	171.54
37.42	35.90
161.62	135.64

Provision for leave benefits

Current

Non-current

137.45	121.12
137.45	121.12

Provision for litigations (Refer note 33)

Current

Non-current

91.43	69.45
91.43	69.45

Total current

Total non-current

266.30	226.46
161.62	135.64

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Lemon Tree Hotels Limited

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

17.1 Deferred tax liability (net)

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Property, plant and equipments and intangible assets	9,572.25	5,545.46
Fair value of investments	2.13	0.60
Revaluation of land	377.64	401.77
Deferred tax liability	9,952.02	5,947.83
Impact of expenditure charged to the statement of profit and loss in the current/ earlier period but allowable for tax purposes on payment basis	86.39	120.15
Provision for doubtful debts and advances	7.12	-
Effect of unabsorbed depreciation and business loss	6,415.37	3,125.40
Provision for gratuity	49.89	35.70
Provision for leave compensation	37.11	26.43
Loyalty program	3.80	1.81
Provision for litigation	12.97	9.68
Provision for slow moving inventory	12.56	10.55
Expense on account of lease equalization reserve created	433.16	332.27
Security deposits	972.27	222.98
Provision for contingency	17.83	-
Loan to employee recorded at amortized cost	4.52	5.84
Borrowings	5.89	0.40
Prepaid expenses	3.69	1.85
Provision for expected credit losses	6.38	5.67
MAT credit entitlement receivable	1,457.86	1,374.92
Deferred tax asset	9,526.81	5,273.65
Deferred tax liability (net)	425.21	674.18

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

	March 31, 2018	March 31, 2017
Profit/(loss) before tax	1,833.19	(32.95)
Tax rate	34.61%	33.99%
Tax at statutory income tax rate	614.36	(11.20)
Effect of incomes taxable at nil/lower/MAT rate	(430.40)	(161.86)
Effect of non-deductible expenses	84.70	(100.08)
Income tax charge/ (credit) in respect of earlier year	(117.22)	(24.65)
Impact of change in tax rate	3.13	-
Unrecognized tax assets (net) and other adjustments	324.61	776.85
Other adjustments	(101.35)	-
Net	377.83	479.06
As per profit and loss account	377.83	479.06

17.2 Non-current tax assets (net)

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Advance Income Tax (net of provision for taxation)	1,873.41	2,100.78
	1,873.41	2,100.78



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018

18 Other Non-current liabilities

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Reserve for lease equalisation	2,720.53	2,082.74
	<u>2,720.53</u>	<u>2,082.74</u>



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Lemon Tree Hotels Limited

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

19 Financial liabilities

(i) Borrowings

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Cash credit from banks (Secured)	3,570.04	3,215.97
Working capital loan (Secured)	-	1,000.00
0% loan from shareholders and directors repayable on demand (Unsecured)	-	2,530.01
	3,570.04	6,745.98

- A The Cash credit facility and working capital loan from Kotak Mahindra Bank is repayable on demand and carries interest rate of 9.30% p.a. (March 31, 2017: 12.00% p.a.) and is secured by way of:
- Exclusive charge on all existing and future current assets of the borrower's hotels located at Gurgaon (city centre new), Aurangabad, Indore, and Sector-29, Gurgaon.
 - Subservient charge over all existing and future current assets of the Company except current assets of the company's hotels located at Gurgaon (city centre new), Aurangabad, Indore, and Sector-29, Gurgaon on which bank has exclusive charge.
 - Equitable Mortgage by way of exclusive charge on the plot of Land at Sector-29, Gurgaon owned by the borrower. Also, exclusive charge over Moveable Fixed assets of the Hotel Property at Sector-29, Gurgaon.
- B The Cash credit facility from Yes Bank is repayable on demand and carries interest rate of 9.40% p.a. (March 31, 2017: 10.70% p.a.) and is secured by way of:
- First pari passu charge on all immovable fixed assets, movable fixed assets and current assets (both present and future) including land and building of Hotel Lemon Tree, Udyog Vihar, Hotel Lemon Tree, Pune, Hotel Lemon Tree, Ahmedabad, Hotel Lemon Tree, Chennai, Hotel Lemon Tree, Bangalore and Red Fox Hotel, Hyderabad. The charge for assets at Red Fox Hotel, Hyderabad has been removed before March 31, 2018.

(ii) Trade payables

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Trade Payables		
-Other than Micro and small enterprises	8,112.65	6,044.51
	8,112.65	6,044.51

(iii) Other financial liabilities

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Current maturities of long-term borrowings	4,403.29	4,050.58
Interest accrued but not due on borrowings	2.12	41.39
Book overdraft	411.29	468.65
Other payables		
-Payable for capital goods	2,363.53	2,013.57
-Sundry deposits	0.75	0.75
-Payable to employees	16.97	15.10
Outstanding dues of other creditors	3,973.12	3,993.79
	11,171.07	10,583.83

20 Other current liabilities

	As at March 31, 2018 Rs. In lakhs	As at March 31, 2017 Rs. In lakhs
Advance from customers	856.45	949.97
Deferred revenue- loyalty programme	10.97	5.32
Statutory dues	906.06	913.33
	1,773.48	1,868.62



Lemon Tree Hotels Limited

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

21 Revenue From Operations

Revenue from operations

Sale of products and services

	For the year ended March 31, 2018 Rs. In lakhs	For the year ended March 31, 2017 Rs. In lakhs
- Room rental	34,161.11	27,168.83
- Food and beverage (excluding liquor and wine)	7,564.07	7,856.93
- Liquor and wine	963.61	966.30
- Banquet rentals	107.32	168.32
- Telephone and telex	41.62	103.14
- Other Services (including service charge income)	4,946.86	4,395.57

Other Operating Revenue

- Management fee	637.79	543.76
- Commission income	3.77	5.22

Revenue from operations

	48,426.15	41,208.07
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22 Other income

	For the year ended March 31, 2018 Rs. In lakhs	For the year ended March 31, 2017 Rs. In lakhs
Income from serve for India scheme	-	73.93
Profit on relinquishment of rights (refer note 45)	670.00	600.00
Rent received	60.59	54.31
Excess provision/ credit balances written back	6.06	57.33
Exchange difference (net)	0.12	0.60
Miscellaneous income	43.92	36.55
	780.68	822.72

23 Cost of food and beverages consumed

(a) Consumption of food & beverages excluding liquor & wine

Inventory at the beginning of the year	102.47	100.07
Add: Purchases	4,060.11	3,188.02
	4,162.58	3,288.09
Less: Inventory at the end of the year	154.12	102.47
Cost of food and beverage consumed	4,008.46	3,185.62

(b) Consumption of liquor & wine

Inventory at the beginning of the year	111.86	115.86
Add: Purchases	343.63	343.05
	455.49	458.91
Less: Inventory at the end of the year	105.43	111.86
Cost of liquor and wine consumed	350.06	347.05

	4,358.52	3,532.67
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Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018
24 Employee benefit expense

	For the year ended March 31, 2018 Rs. In lakhs	For the year ended March 31, 2017 Rs. In lakhs
Salaries, wages and bonus	9,241.63	7,998.47
Contribution to provident fund and other funds	383.47	322.28
Share based payments to employees	94.54	114.13
Gratuity expense	52.05	50.24
Leave compensation expenses	23.34	35.17
Staff welfare expenses	1,162.45	1,168.63
Total	10,957.49	9,688.92

25 Other expenses

	For the year ended March 31, 2018 Rs. In lakhs	For the year ended March 31, 2017 Rs. In lakhs
Consumption of stores, cutlery, crockery, linen, provisions and others	1,165.69	1,048.37
Lease rent	3,064.40	2,346.60
License fee	623.65	403.97
Power and fuel	4,845.96	3,840.87
Linen & uniform washing and laundry expenses	265.59	252.17
Guest transportation	1,109.16	882.20
Spa expenses	161.53	151.51
Subscription charges	98.12	99.52
Repair and maintenance		
- Buildings	469.77	633.68
- Plant and machinery	750.53	648.19
- Others	578.18	719.30
Rates and taxes	888.58	871.30
Insurance	99.40	96.63
Communication costs	862.95	828.71
Printing and stationery	276.85	220.49
Traveling and conveyance	175.84	206.41
Vehicle running and maintenance	188.43	172.23
Advertisement and business promotion	207.79	302.45
Commission -other than sole selling agent	1,354.06	556.89
Security and cleaning expenses	898.23	717.24
Membership and subscriptions	24.56	41.70
Legal and professional fees	865.78	857.91
Advances written off	0.35	5.19
Freight and cartage	14.51	15.35
Exchange difference (net)	0.06	-
Donations	4.75	8.93
Loss on sale of property, plant & equipment (net)	8.63	21.58
Provision for doubtful debts	5.18	22.44
Payment to auditor (Refer note below)	75.00	83.90
Miscellaneous expenses	409.16	284.02
	19,492.69	16,339.75

Payment to auditor

Audit fee	64.00	56.90
Tax audit fee	3.00	2.58
Other services	8.00	21.43
Reimbursement of expenses	-	3.00
	75.00	83.90



Lemon Tree Hotels Limited
Notes to Consolidated financial statements for the year ended March 31, 2018
26 Finance costs
Interest

- on term loans from banks
- on loans from financial institutions
- on loans from others
- on vehicle loans
- on other credit facilities from banks
- on income tax
- on others

Prepayment charges
Bank charges (including commission on credit card collection)

**For the year ended
March 31, 2018
Rs. In lakhs**

**For the year ended
March 31, 2017
Rs. In lakhs**

6,342.39	6,223.17
554.26	639.33
217.96	7.81
28.12	21.03
225.63	475.01
2.67	2.95
2.25	4.08
4.03	42.23
459.59	341.80

7,836.90 7,757.41

27 Finance income
Profit on sale of investment
Interest Income on :

- Bank Deposits
- Interest on income tax refund
- Others

Fair value profit on financial instruments at fair value through profit or loss

**For the year ended
March 31, 2018
Rs. In lakhs**

**For the year ended
March 31, 2017
Rs. In lakhs**

8.99	26.55
78.41	81.96
5.27	0.68
335.10	237.81
48.42	9.25

476.19 356.25

28 Depreciation and amortization expense
Depreciation on tangible assets
Amortization of intangible assets
Depreciation on investment properties
Depreciation capitalized
Total

**For the year ended
March 31, 2018
Rs. In lakhs**

**For the year ended
March 31, 2017
Rs. In lakhs**

5,196.17	5,042.55
62.28	55.36
4.39	4.39
(1.09)	(1.06)

5,261.74 5,101.24



Lemon Tree Hotels Limited**Notes to Consolidated financial statements for the year ended March 31, 2018****29 Earnings per share (Basic and Diluted)**

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The earnings and weighted average number of ordinary shares used in the calculation of Basic and Diluted EPS are as follows:

	March 31, 2018	March 31, 2017
Profit/(Loss) attributable to equity holders (for basic and diluted)	1,419.43	(616.58)
Weighted average number of equity Shares (for basic and diluted earnings per share)*	784,588,452	779,627,716
Basic and Diluted earnings per share	0.18	(0.08)

* The weighted average number of shares takes into account the weighted average effect of changes in share transactions during the year. The shares of the company has been listed on BSE Limited and National Stock Exchange of India Limited with effect from April 9, 2018.

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Lemon Tree Hotels Limited

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

30. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated 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 Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessee

The Group has taken certain land and land and building on long term lease basis. The lease agreements generally have an escalation clause. These leases are generally non-cancellable. The Group 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/ remaining 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.

Further, the Group based on an evaluation of the terms and conditions of the respective agreements decided that wherever the escalations (generally 15% every 3 years or 20% every 4 years) are aligned to the average expected general inflation of the lease term period, operating lease payments are not required to be provided on a straight-line basis over the lease term as an expense in the statement of profit and loss and in other cases (including structured payment terms), operating lease payments are expensed on a straight-line basis over the lease term in the statement of profit and loss.

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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only the period of the revision and future periods if the revision affects both current and future periods.



Lemon Tree Hotels Limited

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

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. See Note 37 for further disclosures.

Taxes

Considering that nature of the Group's operations and history of past tax losses, deferred tax assets (including MAT credit) are recognized to the extent that it is probable that taxable profit will be generated in future against which the deductible temporary differences, carry forward of unabsorbed depreciation and tax losses can be utilised. Accordingly, it is considered prudent to recognize the deferred tax assets only to the extent of deferred tax liabilities and the Group has not recognised deferred tax assets on remaining unused tax losses/credits of Rs 7,295.64 lakhs and Rs 8,405.60 lakhs as of March 31, 2018 and March 31, 2017 respectively. Breakup of current tax shown in Statement of Profit and Loss is as given below:-

Tax expense:	March 31, 2018	March 31, 2017
Current tax	138.56	170.27
Minimum Alternate Tax (MAT)	489.09	173.05
Adjustment of tax relating to earlier periods	(0.06)	(24.65)
Total	627.59	318.67



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****31. Group information**

The consolidated financial statements of the Group include subsidiaries, associates and limited liability partnership listed in the table below:

a) Subsidiaries under Direct Control

S. No.	Name of the Company	Principal activities	Country of Incorporation	% of equity interest	
				March 31, 2018	March 31, 2017
1.	Begonia Hotels Private Limited	Hotel Business	India	74.11%	74.11%
2.	Carnation Hotels Private Limited	Hotel Business	India	100%	100%
3.	Fleur Hotels Private Limited	Hotel Business	India	57.98%	57.98%
4.	Dandelion Hotels Private Limited	Hotel Business	India	100%	100%
5.	Lemon Tree Hotel Company Private Limited	Hotel Business	India	100%	100%
6.	PSK Resorts & Hotels Private Limited	Hotel Business	India	100%	100%
7.	Canary Hotels Private Limited	Hotel Business	India	100%	100%
8.	Grey Fox Project Management Company Private Limited	Project management services	India	100%	74.90%
9.	Nightingale Hotels Private Limited	Hotel Business	India	57.53%	57.53%
10.	Oriole Dr Fresh Hotels Private Limited	Hotel Business	India	100%	100%
11.	Red Fox Hotel Company Private Limited	Hotel Business	India	100%	100%
12.	Sukhsagar Complexes Private Limited	Hotel Business	India	100%	100%
13.	Manakin Resorts Private Limited (Subsidiary of PSK Resorts & Hotels Private Limited)	Hotel Business	India	10%	10%
14.	Pelican Facilities Management Private Limited	Facilities Management Services	India	-	100%
15.	Meringue Hotels Private Limited	Hotel Business	India	58.42%	-

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Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****b) Subsidiaries under Indirect Control**

S. No.	Name of the Company	Principal activities	Country of Incorporation	% of equity interest	
				March 31, 2018	March 31, 2017
1.	Manakin Resorts Private Limited (Subsidiary of PSK Resorts & Hotels Private Limited)	Hotel Business	India	90%	90%
2.	Celsia Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%
3.	Inovoa Hotels & Resorts Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%
4.	IORA Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%
5.	Hyacinth Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited))	Hotel Business	India	57.98%	57.98%
6.	Bandhav Resorts Private Limited (Subsidiary of Fleur Hotels Private Limited))	Hotel Business	India	57.98%	57.98%
7.	Ophrys Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%
8.	Valerian Management Services Private Limited (Subsidiary of Grey Fox Project Management Company Private Limited)	Project Designing Services	India	100%	74.90%
9.	Meringue Hotels Private Limited (Subsidiary of Dandelion Hotels Private Limited upto September 1, 2017)	Hotel Business	India	41.58%	80%

c) Associate

S. No.	Name of the Company	Principal activities	Country of Incorporation	% of equity interest	
				March 31, 2018	March 31, 2017
1.	Mind Leaders Learning India Private Limited	Learning & Development	India	36.56%	-
2.	Pelican Facilities Management Private Limited (Subsidiary of Mind Leaders Learning India Private Limited)	Facilities Management Services	India	36.56%	-

d) Limited Liability Partnership

S. No.	Name of the LLP	Principal activities	Country of Incorporation	% interest	
				March 31, 2018	March 31, 2017
1.	Mezereon Hotels LLP (Capital contribution by Fleur Hotels Private Limited & Celsia Hotels Private Limited)	Hotel Business	India	57.98%	57.98%



Lemon Tree Hotels Limited
Notes to consolidated financial statements for the year ended March 31, 2018

(e) Statutory Group Information

Name of the entity in the group	Net Assets, i.e., total assets minus total liabilities		Share in profit and loss		Share in other Comprehensive income		Share in total Comprehensive income	
	As % of consolidated net assets	Rs in lakhs	As % of consolidated profit and loss	Rs in lakhs	As % of consolidated other comprehensive income	Rs in lakhs	As % of total comprehensive income	Rs in lakhs
Parent								
Lemon Tree Hotels Limited								
Balance as at March 31, 2018	25.00%	31,081.95	(14.68%)	(213.66)	(102.25%)	1.85	(14.57%)	(211.81)
Balance as at March 31, 2017	14.67%	18,148.42	377.48%	(1,932.76)	158.11%	11.85	380.74%	(1,920.91)
Subsidiaries								
1								
Fleur Hotels Private Limited								
Balance as at March 31, 2018	3.55%	4,420.16	31.30%	455.56	74.99%	(1.36)	31.25%	454.20
Balance as at March 31, 2017	0.80%	984.21	(131.59%)	673.76	(4.55%)	(0.34)	(133.48%)	673.42
2								
Celsia Hotels Private Limited								
Balance as at March 31, 2018	0.18%	219.00	24.85%	361.63	(35.74%)	0.65	24.92%	362.27
Balance as at March 31, 2017	(0.02%)	(29.06)	(66.49%)	340.43	0.18%	0.01	(67.48%)	340.44
3								
Mezereon Hotels LLP								
Balance as at March 31, 2018	0.00%	0.90	0.00%	(0.01)	0.00%	-	0.00%	(0.01)
Balance as at March 31, 2017	0.00%	0.91	0.01%	(0.05)	0.00%	-	0.01%	(0.05)
4								
Inovoa Hotels & Resorts Limited								
Balance as at March 31, 2018	1.96%	2,431.04	4.71%	68.61	5.31%	(0.10)	4.71%	68.51
Balance as at March 31, 2017	1.99%	2,463.89	(23.95%)	122.63	2.81%	0.21	(24.35%)	122.84
5								
PSK Resorts & Hotels Private Limited								
Balance as at March 31, 2018	0.00%	0.93	(0.03%)	(0.47)	0.00%	0.00	(0.03%)	(0.47)
Balance as at March 31, 2017	0.00%	(0.60)	0.21%	(1.08)	0.00%	-	0.21%	(1.08)
6								
Manakin Resorts Private Limited								
Balance as at March 31, 2018	0.74%	914.93	3.95%	57.42	(5.93%)	0.11	3.96%	57.53



Lemon Tree Hotels Limited

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

Name of the entity in the group	Net Assets, i.e., total assets minus total liabilities		Share in profit and loss		Share in other Comprehensive income		Share in total Comprehensive income	
	As % of consolidated net assets	Rs in lakhs	As % of consolidated profit and loss	Rs in lakhs	As % of consolidated other comprehensive income	Rs in lakhs	As % of total comprehensive income	Rs in lakhs
Balance as at March 31, 2017	0.81%	996.96	(8.60%)	44.03	10.28%	0.77	(8.88%)	44.80
7 Canary Hotels Private Limited								
Balance as at March 31, 2018	2.02%	2,505.98	(14.84%)	(215.93)	(9.02%)	0.16	(14.84%)	(215.77)
Balance as at March 31, 2017	1.92%	2,370.75	41.97%	(214.91)	0.97%	0.07	42.58%	(214.84)
8 Meringue Hotels Private Limited								
Balance as at March 31, 2018	7.78%	9,671.41	(0.53%)	(7.76)	0.00%	0.00	(0.53%)	(7.76)
Balance as at March 31, 2017	8.33%	10,298.30	0.91%	(4.68)	0.00%	0.00	0.93%	(4.68)
9 Hyacinth Hotels Private Limited								
Balance as at March 31, 2018	8.46%	10,515.82	29.95%	435.87	4.38%	(0.08)	29.98%	435.79
Balance as at March 31, 2017	14.75%	18,240.17	(37.67%)	192.85	-6.01%	(0.45)	(38.14%)	192.40
10 Sukhsagar Complexes Private Limited								
Balance as at March 31, 2018	0.91%	1,128.30	(2.32%)	(33.75)	(10.91%)	0.20	(2.31%)	(33.55)
Balance as at March 31, 2017	0.71%	878.89	27.35%	(140.03)	(1.24%)	(0.09)	27.77%	(140.12)
11 Oriole Dr Fresh Hotels Private Limited								
Balance as at March 31, 2018	0.71%	878.39	3.34%	48.66	6.51%	(0.12)	3.34%	48.54
Balance as at March 31, 2017	0.68%	839.85	1.86%	(9.54)	(1.88%)	(0.14)	1.92%	(9.68)
12 Nightingale Hotels Private Limited								
Balance as at March 31, 2018	1.82%	2,258.11	8.65%	125.95	76.53%	(1.38)	8.57%	124.57
Balance as at March 31, 2017	1.86%	2,305.90	(15.33%)	78.51	(2.40%)	(0.18)	(15.53%)	78.33
13 Dandelion Hotels Private Limited								
Balance as at March 31, 2018	(8.82%)	(10,965.64)	(0.20%)	(2.95)	0.00%	0.00	(0.20%)	(2.95)
Balance as at March 31, 2017	0.31%	386.64	0.04%	(0.19)	0.00%	0.00	0.04%	(0.19)
14 Carnation Hotels Private Limited								
Balance as at March 31, 2018	0.86%	1,068.61	14.27%	207.70	53.00%	(0.96)	14.22%	206.74
Balance as at March 31, 2017	0.68%	835.32	8.09%	(41.41)	(272.60%)	(20.43)	12.26%	(61.83)
Greyfox Project Management Company Private Limited								



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



Lemon Tree Hotels Limited
Notes to consolidated financial statements for the year ended March 31, 2018

Name of the entity in the group	Net Assets, i.e., total assets minus total liabilities		Share in profit and loss		Share in other Comprehensive income		Share in total Comprehensive income	
	As % of consolidated net assets	Rs in lakhs	As % of consolidated profit and loss	Rs in lakhs	As % of consolidated other comprehensive income	Rs in lakhs	As % of total comprehensive income	Rs in lakhs
Balance as at March 31, 2017	1.15%	1,417.90	9.09%	(46.53)	0.00%	-	9.22%	(46.53)
Non-controlling interests in all subsidiaries								
Balance as at March 31, 2018	34.47%	42,864.34	2.47%	35.93	80.64%	(1.46)	2.37%	34.47
Balance as at March 31, 2017	34.63%	42,836.28	(20.42%)	104.56	203.01%	15.21	(23.74%)	119.77
Total	100.00%	124,348.48	100.00%	1,455.36	100.00%	(1.81)	100.00%	1,453.55
Balance as at March 31, 2017	100.00%	123,693.45	100.00%	(512.02)	100.00%	7.50	100.00%	(504.51)



Lemon Tree Hotels Limited

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

32. Gratuity and other post-employment benefit plans

The Group has a defined benefit gratuity plan (funded). 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 fund has the form of a trust and it is governed by the board of trustees, which consists of an equal number of employer and employee representatives. The board of trustees is responsible for the administration of the plan assets and for the definition of the investment strategy. The trust fund has taken a scheme of insurance, whereby these contributions are transferred to the insurer. The group makes provision of such gratuity liability in the books of accounts on the basis of actuarial valuation as per the projected unit credit method.

Rs. In lakhs

Benefit Liability	March 31, 2018	March 31, 2017
Gratuity plan	199.04	171.54
Total	199.04	171.54

Risk analysis

Group is exposed to a number of risks in the defined benefit plans. Most significant risks pertaining to defined benefits plans and management estimation of the impact of these risks are as follows:

- Investment risk

The most of the Indian defined benefit plans are funded with Life Insurance Corporation of India. Group does not have any liberty to manage the fund provided to Life Insurance Corporation of India.

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government of India bonds for Group's Indian operations. If the return on plan asset is below this rate, it will create a plan deficit.

- Interest risk

A decrease in the interest rate on plan assets will increase the plan liability.

- Longevity risk/life expectancy

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and at the end of the employment. Increases in the life expectancy of the plan participants will increase the plan liability.

- Salary growth risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.



Lemon Tree Hotels Limited
Notes to consolidated 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:

	Opening Balance April 1, 2017	Service cost	Net interest expense/income	Sub-total included in profit or loss	Remeasurement gains/(losses) in other comprehensive income					Rs. In lakhs
					Return on plan assets (excluding amounts included in net interest expense)	Remeasurement changes arising from changes in demographic assumptions	Remeasurement changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer
Defined benefit obligation	301.56	40.69	19.82	60.51	-	-	(3.92)	7.02	3.10	-
Fair value of plan assets	130.02	-	8.46	8.46	1.19	-	-	-	1.19	22.49
Benefit liability	171.54	40.69	11.36	52.05	(1.19)	-	(3.92)	7.02	1.91	(22.49)
										199.04

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

	Opening Balance April 1, 2016	Service cost	Net interest expense/income	Sub-total included in profit or loss	Remeasurement gains/(losses) in other comprehensive income					Rs. In lakhs
					Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer
Defined benefit obligation	264.08	39.44	19.69	59.13	(11.52)	-	5.62	(15.75)	(10.13)	-
Fair value of plan assets	120.09	-	8.77	8.77	0.25	-	-	-	-	8.50
Benefit liability	143.99	39.44	10.92	50.36	(0.25)	-	5.62	(15.75)	(10.13)	(8.50)
										171.54



Lemon Tree Hotels Limited

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

The major categories of plan assets of the fair value of the total plan assets are as follows:

	March 31, 2018	March 31, 2017
Unquoted investments:		
Asset invested in insurance scheme with the LIC	100%	100%
Total	100%	100%

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

	March 31, 2018	March 31, 2017
Discount rate:	%	%
Pension plan	6.80% to 7.30%	6.50
Future salary increases:		
Pension plan	5.00	5.00
Life expectation for pensioners :	Years	Years
Pension plan		
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	Rs. In lakhs March 31, 2018
Assumptions	Discount rate		Future salary increases	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation	7.65	8.11	8.20	7.88
	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	6.88	7.28	7.31	7.11

The sensitivity analysis 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.



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018**

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

Duration (Years)	<i>Rs. in lakhs</i>	
	For the year ended March 31, 2018	For the year ended March 31, 2017
1	191.08	82.48
2	49.05	127.83
3	43.55	32.29
4	34.54	28.07
5	25.71	22.52
Above 5	83.98	68.20
Total expected payments	427.91	361.39

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.31 years (March 31, 2017: 5 years).

33. Commitments and contingencies**a. Leases****Operating lease commitments — Group as lessee**

The Group has taken office premises and hotel properties and staff hostels/others under operating lease agreements. These are generally cancellable and are renewable by mutual consent on mutually agreed terms except for few properties (including hotel property at Indore, Aurangabad, Gurgaon(2 properties), New Delhi Chandigarh, Banjara Hills Hyderabad and Goa). The lease for hotel property at Indore, Aurangabad, Gurgaon (2properties), New Delhi, Chandigarh, Banjara Hills Hyderabad and Goa are non-cancellable for a period of twenty-nine, twenty-two, thirty, twenty two, thirty, sixty, thirty and twenty five years respectively.

The Group has recognised the following expenses as rent in the statement of Profit & Loss towards minimum lease payment.

Particulars	<i>Rs. in lakhs</i>	
	For the year ended March 31, 2018	For the year Ended March 31, 2017
Lease Rent on Hotel Properties	3,441.33	2,117.62
Rent on Office Premises	39.17	36.81
Rent of staff hostel/Others	121.82	119.68
Total	3,602.32	2,274.11



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018**

Future minimum rentals payable under non-cancellable operating leases as at year end are, as follows:

Particulars	Rs. in lakhs	
	As at March 31, 2018	As at March 31, 2017
Minimum Lease Payments :		
Not later than one year	3,468.02	3,016.37
Later than one year but not later than five years	15,331.25	12,963.98
Later than five years	123,304.71	106,574.21
Total	142,103.98	122,554.56

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

Estimated amount of contracts remaining to be executed and not provided for March 31, 2018 Rs.30,576.67 lakhs (March 31, 2017 Rs. 22,092.12 lakhs)

c. Contingent liabilities**(i) Legal claim contingency**

	Rs. in lakhs	
	As at March 31, 2018	As at March 31, 2017
Counter Guarantees given in respect of guarantees issued by Company's bankers	1,471.48	1,800.30
Service tax	244.00	331.22
Luxury tax	42.45	42.45
VAT	56.60	56.60
Income Tax	23.60	91.60
Matters pending with consumer court	22.80	22.80
Property Tax	69.34	69.34
Total	1,930.27	2,414.31

The Group's pending litigations above pertains to proceedings pending with Income Tax, Excise, Sales/VAT tax and other authorities. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.



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

- (ii) During the earlier years, the Company and one of the subsidiary company, Hyacinth Hotels Private Limited (collectively known as "Companies") had received a show cause notice dated April 25, 2014 from Collector of Stamps, Delhi ('Department'), wherein the department was of the view that prima facie the companies has not paid stamp duty as per Indian Stamp Act, 1899 on right to use the land given by Delhi International Airport (P) Ltd. (DIAL) under the Development Agreement dated May 25, 2009 ('DA'). The Companies contested the matter and the Department pursuant to the response received from all the developers of area where the Companies project is located, and arguments thereon, passed a common order on July 14, 2014 ("Order") and subsequently, the Companies and its directors received show cause notice dated August 14, 2014 from the Department as to why criminal prosecution for non- payment of requisite stamp duty should not be initiated against them. The Company along with certain other developers had filed a writ petition before the Honorable High Court of Delhi (HC) and the HC vide its order dated August 25, 2014 has granted ex- parte interim stay from all proceedings under the Order including the said show cause notice dated August 14, 2014. The next date of hearing before the HC is scheduled for October 11, 2018. The companies, based on advice from legal experts, is of the view that there is no likelihood of any liability devolving on the Companies on this ground.
- (iii) Hyacinth Hotels Private Limited, one of the subsidiary company, has received a demand from South Delhi Municipal Corporation ('the Authority') wherein the Authority has called upon the subsidiary company to pay an amount of Rs. 68.19 lakhs (for the financial Years 2010-11 to financial years 2013-2014) towards annual value in respect of the hotel property situated in Hospitality District, Aerocity. The Subsidiary Company filed a writ petition in the high court against the said order. Pending adjudication, the High Court had given interim stay directing the subsidiary company to deposit Rs 25 lakhs. The management based upon its assessment and expert's advice believes that any further liability against the aforesaid demand (including the demand for any subsequent year) is improbable to crystallize.
- (iv) Malviya National Institute of Technology, Jaipur ("MNIT") filed an application before the Sub-divisional Officer ("SDO"), Jaipur against, among others, Sukhsagar Complexes Private Limited (one of the subsidiary), alleging that a portion of the land on which Red Fox Hotel, Jaipur has been constructed is owned by MNIT. Pursuant to an order dated December 31, 1999, the SDO, Jaipur, recorded certain land bearing khasra number 102/433 in the name of Gulab Chand and certain others, while removing the name of Malviya Regional Engineering College, the predecessor entity to MNIT. Against the order of the SDO, MNIT filed an appeal (appeal no. 327/2013) before the Divisional Commissioner, Jaipur ("Commissioner"), against Gulab Chand, Girdharilal Maninar and Gopal Das Johar, being the previous owners of the property sold to Sukhsagar, and also, among others, Sukhsagar, stating that Sukhsagar and Devashish Builders Private Limited had encroached on the land belonging to MNIT. The appeal was dismissed by the Commissioner pursuant to an order dated January 8, 2013 and the order passed by the SDO, dated December 31, 1999, was confirmed. Subsequently, Sukhsagar filed a review petition before the Commissioner challenging the order dated January 8, 2013 on grounds of certain procedural irregularities. The Commissioner, through an order dated September 4, 2013, recalled its previous order dated January 8, 2013. The Commissioner eventually dismissed the appeal filed by MNIT through an order dated September 11, 2013. MNIT filed a writ petition before the High Court of Rajasthan challenging the order of the Commissioner, dated September 11, 2013. The proceedings are in progress & the management based upon its assessment and expert's advice believes that any liability is improbable to crystallize.



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

- (v) Meringue Hotels Private Limited (one of the subsidiary company), in 2006, had purchased a plot of land along with a factory unit on it, from Mistry Prabhudas Manji Engineering Private Limited. It had been represented to the subsidiary that the factory unit on the land had been shut since December 1998 due to illegal strikes by the workmen. The recovery officer of Employee State Insurance Corporation, Mumbai, issued a notice dated October 12, 2015 to the subsidiary informing it that Rs 21.6 lakhs is due and payable towards arrears of contribution/ interest/ damages under the Employee State Insurance, Act, 1948 ("ESIC Act") for the period from April 1, 1992 up to March 31, 1998 and that Meringue has been declared as deemed defaulter under the ESIC Act. The notice also asked Meringue to show cause as to why a warrant of arrest should not be issued against it. Meringue filed an application (No. 25 of 2015) dated December 21, 2015 before the Employee's State Insurance Court, Mumbai ("ESIC Court") against the show cause notice issued by the recovery officer on the grounds that the show cause notice is not valid as it is inconsistent with the earlier order of the Court dated October 21, 2011 which required the ESIC to re-calculate the amount payable by Mistry Prabhudas Manji Engineering Private Limited after adjusting the sum already paid. The subsidiary requested the ESIC Court to grant an interim stay on enforcement of the aforementioned notice. Further, the subsidiary filed an application (No. 14 of 2016) before the ESIC Court for declaration that the notice dated October 12, 2015 is null and void as it was issued in violation of the order dated October 21, 2011 of the ESIC Court. The ESIC has filed its reply to the application on September 14, 2016. The proceedings are in progress and the management based upon its assessment and expert's advice believes that any liability is improbable to crystallize.
- (vi) Oriole Dr. Fresh Hotels Private Limited (a subsidiary company) filed an arbitration petition (arbitration petition No. 160/2012), against the Delhi Developmental Authority (the "DDA") seeking quashing of invocation of a bank guarantee amounting to Rs 102.80 lakhs by DDA, recovery of Rs 25 lakhs as compensation alleging harassment and mental agony, recovery of Rs 10 lakhs towards cost of proceedings, and interest at the rate of 18% on blocked amount from December 28, 2010 till the date of return of pay order. This dispute pertains to an agreement for construction of a hotel by the subsidiary in Kondli, Delhi, entered into with DDA, as a successful bidder in an auction process conducted for this purpose. As per such agreement the subsidiary was required to provide a bank guarantee of Rs 102.80 lakhs as performance security. The DDA allegedly sought to encash the bank guarantee on December 21, 2011 on grounds of non-performance of contractual obligations by the subsidiary. Consequently, on March 12, 2012 Oriole sent a notice of commencement of arbitration to DDA and on May 31, 2012, the subsidiary obtained an injunction (OMP No. 1/2012) from the High Court of Delhi restraining DDA and Axis Bank Limited from proceeding with the encashment of the bank guarantee until the completion of the arbitration proceedings. An arbitral tribunal was constituted on September 28, 2012 and Oriole filed its statement of claims on November 8, 2012. The proceedings are in progress and the management based upon its assessment and expert's advice believes that any further liability against the aforesaid demand is improbable to crystallize.

34. Events after the reporting period:

The shares of the Company has been listed on Bombay Stock Exchange and National Stock Exchange with effect from April 9, 2018.



Lemon Tree Hotels Limited
Notes to consolidated financial statements for the year ended March 31, 2018

35. Employee Stock Option Plans:

a) Stock options granted on and after April 1, 2005.

The Group has provided various share-based payment schemes to its employees. During the year ended March 31, 2018 the following schemes were in operation:

	Plan 1 (2005)	Plan 2 (2006)
Date of grant	November 15, 2005 and April 1, 2006	September 1, 2006, April 1, 2007, October 1, 2007, April 1, 2008, January 12, 2009, April 1, 2009, April 1, 2010, October 1, 2010, April 1, 2011, April 1, 2012, April 1, 2015, January 1, 2018
Date of Board Approval of plan	September 23, 2005	July 18, 2006
Date of Shareholder's approval of plan	November 15, 2005	August 25, 2006
Number of options granted	387,300	13,249,207
Method of Settlement	Equity	Equity
Vesting Period	12-48 months	12-48 months & 15-39 months
Exercise Period	5 years from the date of vesting	5 years from the date of vesting
Vesting Conditions	Employee remaining in the employment of the enterprise during the vesting period.	Employee remaining in the employment of the enterprise during the vesting period.

Details of vesting:

Vesting period from the grant date	Vesting Schedule	
	Plan 1 (2005)	Plan 2 (2006) *
On completion of 12 months	30%	10%
On completion of 24 months	20%	20%
On completion of 36 months	20%	30%
On completion of 48 months	30%	40%



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

*All ESOP's under ESOP Plan 2006 are granted as per general vesting schedule defined in the scheme except for ESOP's granted on 12th January 2009, 328,008 ESOP's granted on April 1, 2012 and 487,000 ESOP's granted on January 1, 2018 for which specific vesting schedule was decided.

The details of activity under Plan 1 (2005) have been summarized below:

	2017-18		2016-17	
	Number of options	Weighted average exercise price (Rs.)	Number of options	Weighted average exercise price (Rs.)
Outstanding at the beginning of the year	-	-	9,000	3.38
Granted during the year	-	-	-	-
Bonus issued during the year	-	-	-	-
Forfeited during the year	-	-	9,000	3.38
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-
Weighted average remaining contractual life (in years)	-	-	-	-
Weighted average fair value of options granted during the year	-	-	-	-



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

The details of activity under Plan 2 (2006) have been summarized below:

	April'17 to March'18		April'16 to March'17	
	Number of Options	Weighted Average Exercise Price(Rs.)	Number of Options	Weighted Average Exercise Price(Rs.)
Outstanding at the beginning of the year	7,814,678	20.53	11,069,974	19.26
Granted during the year	487,000	21.50	-	-
Forfeited during the year	149,527	21.37	383,394	20.84
Exercised during the year	2,318,370	20.32	2,871,902	15.74
Expired during the year	-	-	-	-
Outstanding at the end of the year	5,833,781	21.50	7,814,678	20.53
Exercisable at the end of the year	2,293,134	21.50	2,341,593	20.32
Weighted average remaining contractual life (in years)	5.70	-	6.03	-

The details of exercise price for stock options outstanding at the end of the year are:

	Range of exercise prices (Rs.)		Number of options outstanding		Weighted average remaining contractual life of options (in years)	Weighted average exercise price (Rs.)	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2018	As at March 31, 2017
Plan 1	-	-	-	-	-	-	-
Plan 2	10.57-21.50	10.00-21.50	5,833,781	7,814,678	5.70	21.50	20.53



Stock Options granted

The weighted average fair value of stock options granted during the year was Rs13.75. The Black Scholes model has been used for computing the weighted average fair value considering the following inputs:



Lemon Tree Hotels Limited
Notes to consolidated financial statements for the year ended March 31, 2018

	Plan 1 (2005)		Plan 2 (2006)	
	2018	2017	2018	2017
Weighted average share price	-	-	22.92	-
Exercise Price	-	-	21.50	-
Volatility	-	-	42.15%	-
Life of the options granted in years	-	-	5	-
Expected dividends	-	-	-	-
Average risk-free interest rate	-	-	7.47%	-
Expected dividend rate	-	-	-	-

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.



Lemon Tree Hotels Limited

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

36. Related Party Transactions

Names of related parties

Key Management Personnel

- Mr. Patanjali Govind Keswani (Chairman and Managing Director)
- Mr. Rattan Keswani (Deputy Managing Director)
- Mr. Sanjeev Kaul Duggal (Independent Director) (upto April 1, 2017)
- Mr. Gopal Sitaram Jiwarajka (Independent Director)
- Mr. Ravi Kant Jaipuria (Director)
- Mr. Niten Malhan (Director)
- Mr. Sachin Doshi (Director) (upto August 1, 2017)
- Mr. Pradeep Gupta (Director) (from June 15, 2017 to December 5, 2017)
- Mr. Willem Albertus Hazeleger (Director) (from August 9, 2017)
- Ms. Ila Dubey (Director) (upto May 31, 2017)
- Mr. Aditya Madhav Keswani (Director)
- Mr. Paramartha Saikia (Independent Director) (from June 15, 2017)
- Ms. Freyan Jamshed Desai (Independent Director) (from June 15, 2017)
- Mr. Ashish Kumar Guha (Independent Director) (from June 15, 2017)
- Mr. Pradeep Mathur (Independent Director) (from December 5, 2017)
- Mr. Arvind Singhania (Independent Director) (from June 15, 2017)

Key Management Personnel/Individuals having significant influence and their relatives (in Subsidiaries)

- Mr. Rattan Keswani (Whole Time Director of Carnation Hotels Private Limited)
- Mr. J. K. Chawla (Individual having significant influence in Grey Fox Project Management Company Private Limited) (upto September 1, 2017)
- Mr. Rajesh Kumar (Whole Time Director of Canary Hotels Private Limited)
- Mr. Sumant Jaidka (Whole Time Director of Inovoa Hotels & Resorts Limited)
- Mr. Rajeev Janveja (Whole Time Director of Nightingale Hotels Private Limited)
- Ms. Natasha Yashpal (Whole Time Director of Oriole Dr. Fresh Hotels Private Limited)
- Mr. Nayan Sharad Parekh (Director of Meringue Hotels Private Limited) (upto September 1, 2017)



Lemon Tree Hotels Limited

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

	- Mr. Hiten V. Parekh (Director of Meringue Hotels Private Limited) (upto September 1, 2017)
Relatives of key management personnel	-Mrs. Sharanita Keswani relative of Mr. Aditya Madhav Keswani
Enterprises owned or significantly influenced by key management personnel or their relatives	- Spank Management Services Private Limited - Toucan Real Estates Private Limited
Associates	- Mind Leaders Learning India Private Limited

Additional related parties as per Companies Act 2013 with whom transactions have taken place during the year:

Chief Financial Officer	: Mr. Kapil Sharma
Company Secretary	: Mr. Nikhil Sethi



Lemon Tree Hotels Limited

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

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	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Reimbursement of Expenses done on behalf of party						
Spank Management Services Private Limited	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	-	0.17	-
Interest Received (gross)						
Mr.JK Chawla	31-Mar-18	-	-	0.23	-	-
	31-Mar-17	-	-	0.80	-	-
Mr, Rajesh Kumar	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	0.21	-	-
Repayment of Loan Given						



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

Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Mr. JK Chawla	31-Mar-18	-	-	12.00	-	-
	31-Mar-17	-	-	12.00	-	-
Mr. Rajesh Kumar	31-Mar-18	-	-	10.25	-	-
	31-Mar-17	-	-	8.25	-	-
Repayment of Loan Taken						
Mr Patanjali Govind Keswani	31-Mar-18	589.87	-	-	-	-
	31-Mar-17	-	-	-	-	-
Services obtained						
Spank Management Services Private Limited	31-Mar-18	-	-	-	648.29	-
	31-Mar-17	-	-	-	1,285.15	-
Capital Advances						
Toucan Real Estate Private Limited	31-Mar-18	-	-	-	-	-



Lemon Tree Hotels Limited

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

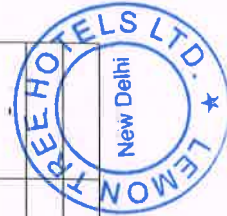
Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
	31-Mar-17	-	-	-	3,624.52	-
Deposit Given						
Toucan Real Estate Private Limited	31-Mar-18	-	-	-	192.00	-
	31-Mar-17	-	-	-	-	-
Loan (Repaid)						
Hiten V Parekh	31-Mar-18	-	-	759.00	-	-
	31-Mar-17	-	-	-	-	-
Nayan S Parekh	31-Mar-18	-	-	1,012.00	-	-
	31-Mar-17	-	-	-	-	-
Remuneration paid						
Mr. Patanjali Govind Keswani	31-Mar-18	284.13	-	-	-	-
	31-Mar-17	332.00	-	-	-	-



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Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Mr. Rattan Keswani	31-Mar-18	-	-	215.36	-	-
	31-Mar-17	20.22	-	193.54	-	-
Mr. JK Chawla	31-Mar-18	-	-	48.71	-	-
	31-Mar-17	-	-	112.12	-	-
Mr. Sumant Jaidka	31-Mar-18	-	-	55.61	-	-
	31-Mar-17	-	-	45.47	-	-
Mr. Alok Ranjan	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	38.55	-	-
Mr. Rajesh Kumar	31-Mar-18	-	-	40.47	-	-
	31-Mar-17	-	-	35.81	-	-
Mr. Kapil Sharma	31-Mar-18	75.93	-	-	-	-
	31-Mar-17	65.28	-	-	-	-
Mr. Nikhil Sethi	31-Mar-18	29.95	-	-	-	-
	31-Mar-17	8.80	-	-	-	-



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

Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Others	31-Mar-18	-	-	80.42	-	-
	31-Mar-17	4.68	-	71.81	-	-
Sitting Fee paid						
Mr. Arvind Singhania	31-Mar-18	0.60	-	-	-	-
	31-Mar-17	-	-	-	-	-
Mr. Ashish Kumar Guha	31-Mar-18	1.00	-	-	-	-
	31-Mar-17	-	-	-	-	-
Ms. Freyan Jamshed Desai	31-Mar-18	1.00	-	-	-	-
	31-Mar-17	-	-	-	-	-
Mr. Gopal Sitaram Jivrajka	31-Mar-18	0.80	-	-	-	-
	31-Mar-17	-	-	-	-	-
Mr Paramartha Saikia	31-Mar-18	1.00	-	-	-	-
	31-Mar-17	-	-	-	-	-
Mr. Pradeep Mathur	31-Mar-18	0.60	-	-	-	-
	31-Mar-17	-	-	-	-	-
Mr. Pradeep Gupta	31-Mar-18	0.40	-	-	-	-
	31-Mar-17	-	-	-	-	-



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

Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Fees for professional services						
Mrs. Sharanita Keswani	31-Mar-18	-	21.00	-	-	-
	31-Mar-17	-	42.00	-	-	-
Subscription in Share capital of the company						
Mindleaders Learning India Private Limited in Equity Shares	31-Mar-18	-	-	-	-	3.40
	31-Mar-17	-	-	-	-	-
Sale of Investment						
Mind Leaders Learning India Private Limited	31-Mar-18	-	-	-	-	1.00
	31-Mar-17	-	-	-	-	-
Training Fee Paid(Net of TDS)						
Mind Leaders Learning India Private Limited	31-Mar-18	-	-	-	-	186.93
	31-Mar-17	-	-	-	-	-



Lemon Tree Hotels Limited

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

Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Balances outstanding at the year end - Trade Payable/Other Current Liabilities						
Mr. Kapil Sharma	31-Mar-18	2.32	-	-	-	-
	31-Mar-17	-	-	-	-	-
Mr. Rattan Keswani	31-Mar-18	-	-	3.50	-	-
	31-Mar-17	-	-	3.26	-	-
Mr. Rajeev Janveja	31-Mar-18	-	-	0.58	-	-
	31-Mar-17	-	-	0.67	-	-
Mr. Sumant Jaidka	31-Mar-18	-	-	6.53	-	-
	31-Mar-17	-	-	3.48	-	-
Mr. JK Chawla	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	3.16	-	-
Ms. Sharnita Keswani	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	3.68	-	-	-



Lemon Tree Hotels Limited

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

Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Others	31-Mar-18	0.60	-	0.38	-	-
	31-Mar-17	0.61	-	0.69	-	-
Balances outstanding at the year end - Loans & Advances						
Mr. Rajesh Kumar	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	10.25	-	-
Mr. JK Chawla	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	40.00	-	-
Mind Leaders Learning India Private Limited	31-Mar-18	-	-	-	-	26.35
	31-Mar-17	-	-	-	-	-
Balances outstanding at the year end - Borrowings						
Mr. Hiten V Parekh	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	759.00	-	-
Mr. Nayan S Parekh	31-Mar-18	-	-	-	-	-
	31-Mar-17	-	-	1,012.00	-	-



Lemon Tree Hotels Limited

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

Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives	Associate
Balance Outstanding at the year end-Deposit given						
Toucan Real Estates Private Limited	31-Mar-18	-	-	-	192.00	-
	31-Mar-17	-	-	-	-	-



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****Terms and conditions of transactions with related parties**

Outstanding balances with related parties at the year-end are unsecured and interest free and settlement occurs in cash. For the year ended March 31, 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2017: Rs Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

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

37. Fair value measurement**a. Financial assets***Rs. in lakhs*

	March 31, 2018		March 31, 2017	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial Assets				
Trade Receivables	-	5,252.37	-	3,144.53
Investments	1,395.59	-	634.15	-
Security Deposits	-	3,857.64	-	2,933.75
Other bank balances	-	833.01	-	790.93
Cash and Cash Equivalents	-	2,102.96	-	1,759.21
Interest accrued on deposit with banks	-	341.15	-	323.44
Loans		1,642.04	-	1,085.60
Other amount recoverable		1,329.40	-	0.41
Total Financial Assets	1,395.59	15,358.57	634.15	10,037.87

	March 31, 2018		March 31, 2017	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Financial Liabilities				
Borrowings	-	96,701.41	-	75,816.24
Trade Payables	-	8,112.65	-	6,044.52
Other Financial Liabilities	-	11,307.62	-	10,632.32
Total Financial Liabilities	-	116,121.68	-	92,493.08



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018**

Note: The financial assets above do not include investments in associates which are measured at cost in accordance with Ind AS 101, Ind AS 27 and Ind AS 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 Group 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

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

The following table provides the fair value measurement hierarchy of the Group'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				
Quoted mutual funds	1195.29	-	-	1195.29
Unquoted equity instruments	-	-	200.30	200.30



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018**

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments as FVTPL				
Quoted mutual funds	633.89	-	-	633.89
Unquoted equity instruments	-	-	0.26	0.26

The management assessed that fair values of cash and cash equivalents, trade receivables, trade payables, bank overdrafts, 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 carrying values, as there is an immaterial change in the lending rates.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the unquoted equity shares have been estimated using net assets basis. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- The fair values of the investment in mutual funds have been estimated based on NAV of the assets at each reporting date

38. Financial risk management objectives and policies

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

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management advises on financial risks and the appropriate financial risk governance framework for the Group. The Group's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Group'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 of interest rate risk. Financial instruments affected by market risk include loans and borrowings.



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group is carrying its borrowings primarily at variable rate. The Group expects the variable rate to decline, accordingly the Group is currently carrying its loans at variable interest rates.

Rs. In lakhs

	March 31, 2018	March 31, 2017
Variable rate borrowings	100,627.47	77,103.00
Fixed rate borrowings	477.23	2,763.81

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Rs. In lakhs

	Increase/decrease in basis points	Effect on profit before tax
March 31, 2018		
INR	50	467.83
INR	-50	(467.83)
March 31, 2017		
INR	50	324.77
INR	-50	(324.77)

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 Group 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 Group is exposed to credit risk from its operating activities (primarily trade receivables and deposits to landlords) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****(a) Trade receivables**

Customer credit risk is managed by each business location subject to the Group'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 10. The Group does not hold collateral as security.

Rs. in lakhs

Ageing	31-March-18	31-Mar-17
Not due	-	44.18
0-60 days past due	3,054.18	2,103.89
61-120 days past due	813.38	397.34
121-180 days past due	469.95	170.15
180-365 days past due	658.85	278.25
365-730 days past due	179.00	112.16
more than 730 days	77.01	38.56

Provision for doubtful debts (including provision for expected credit loss)*Rs. In lakhs*

Ageing	31-March-18	31-March-17
Not due	-	-
0-60 days past due	1.80	10.66
61-120 days past due	-	-
121-180 days past due	-	-
180-365 days past due	-	4.94
More than 365 days	38.70	21.05

Reconciliation of provision for doubtful debts - Trade receivables (including provision for expected credit loss)*Rs in lakhs*

	31-March-18	31-March-17
Provision at beginning	36.65	31.10
Addition during the year	9.85	11.69
Reversal during the year	5.60	2.04
Utilized during the year		4.11
Provision at closing	40.50	36.65



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****Reconciliation of provision for doubtful debts - Loans and deposits***Rs in lakhs*

	31-March-18	31-March-17
Provision at beginning	8.75	8.75
Addition during the year	-	-
Reversal during the year	-	-
Utilised during the year	-	-
Provision at closing	8.75	8.75

(b) Financial instruments and cash deposits

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's policy. Investment of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group's maximum exposure to credit risk for the components of the balance sheet at March 31, 2018, March 2017 is the carrying amount as illustrated in Note 10.

Liquidity risk

The Group monitors its risk of a shortage of funds by estimating the future cash flows. The Group'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 Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturity within 12 months can be rolled over with existing lenders. As at March 31, 2018, the group had available Rs. 31,880 lakhs (March 31, 2017: Rs. 30,350 lakhs) of undrawn committed borrowing facilities.



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018**

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

Rs. in lakhs

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended March 31, 2018						
Borrowings (other than convertible preference shares)	3,570.04	547.36	3,942.99	36,182.25	56,862.06	101,104.70
Trade and other payables	8,112.65	-	-	-	-	8,112.65
Other Financial Liabilities	6,904.33	-	-	-	-	6,904.33
	18,587.02	547.36	3,942.99	36,182.25	56,862.06	116,121.68
Year ended March 31, 2017						
Borrowings (other than convertible preference shares)	6,745.98	420.45	3,538.38	33,123.14	36,038.88	79,866.82
Trade and other payables	6,044.52	-	-	-	-	6,044.52
Other Financial Liabilities	6,581.74	-	-	-	-	6,581.74
	19,372.24	420.45	3,538.38	33,123.14	36,038.88	92,493.08



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****39. Capital management**

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

The Group 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 Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade payables, less cash and cash equivalents.

	<i>Rs. In lakhs</i>	
	March 31, 2018	March 31, 2017
Borrowings (other than preference share)	101,104.70	79,866.82
Trade payables (Note 19)	8,112.65	6,044.52
Less: cash and cash equivalents (Note 10)	2,102.96	1,759.21
Net debt	107,114.39	84,152.13
 Total capital	 124,348.48	 123,693.49
Capital and net debt	231,462.87	207,845.62
 Gearing ratio	 46%	 40%

In order to achieve this overall objective, the Group'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 year ended March 31, 2018 and March 31, 2017.

40. Segment Reporting

The Group is into Hoteliering business. The Board of Directors of the Company, which has been identified as being the chief operating decision maker (CODM), evaluates the Company performance, allocate resources based on the analysis of the various performance indicator of the Company as a single unit. Therefore there is no reportable segment for the Company as per the requirements of Ind AS 108 – "Operating Segments".

Information about geographical areas

The Company has only domestic operations and hence no information required for the Company as per the requirements of Ind AS 108 – "Operating Segments".

Information about major customers

No customer individually accounted for more than 10% of the revenue



Lemon Tree Hotels Limited

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

41. The Group in the earlier years paid conversion charges of Rs. 603.98 lakhs in respect of land taken for lease of 60 years for construction of hotel building. The Group has amortized Rs. 10.07 lakhs (Previous year Rs. 10.07 lakhs) during the year in accordance with its accounting policy of amortizing the conversion charges over the period of lease as mentioned in Note 2.1 (k) above. The balance amount of Rs. 512.55 lakhs (March 31, 2017: Rs. 522.61 lakhs) has been shown in Note 8 and 11 as 'Prepaid conversion charges.'
42. **Changes in Ownership interest in Subsidiaries**
- a. During the previous year, the Company has acquired 25.10% additional stake of Carnation Hotels Private Limited (a subsidiary Company). The excess of consideration paid over book value of additional ownership interest (shares) acquired in the subsidiary is treated as equity transaction and gain of Rs. 54.61 lakhs is accounted for directly in equity.
- b. During the year company has acquired 25.10% additional stake of Grey Fox Project Management Company Private Limited (a subsidiary Company). The excess of consideration paid over book value of additional ownership interest (shares) acquired in the subsidiary is treated as equity transaction and gain of Rs. 10.21 lakhs is accounted for directly in equity.
- c. During the year, company has acquired 20.00% additional stake of Meringue Hotels Private Limited (a subsidiary Company). The excess of consideration paid over book value of additional ownership interest (shares) acquired in the subsidiary is treated as equity transaction and gain of Rs. 1955.36 lakhs is accounted for directly in equity.
- d. During the year, company has sold 100% subsidiary Pelican Facilities Management Services Private Limited investment to associate Mind Leaders Learning India Private Limited at face value.

43. Scheme of Amalgamation

a) Acquisition by parent company

During the year ended March 31, 2018, the National Company Law Tribunal approved the order of scheme of amalgamation dated December 22, 2017 in respect of amalgamation of Aster Hotels & Resorts Private Limited, HeadStart Institute Private Limited and PRN Management Services Private Limited (the Transferor Companies) with Lemon Tree Hotels Limited and the scheme is effective from December 28, 2017. Investment has been nullified w.e.f. the Appointed date i.e. April 01, 2017. The Company has made the allotment of 56,511,722 equity shares to the shareholders of the Transferor Companies on January 22, 2018. The assets, liabilities and reserves of the Transferor Companies as at April 01, 2017 have been taken over at their fair values.



Lemon Tree Hotels Limited
Notes to consolidated financial statements for the year ended March 31, 2018

Name of the Company	Principal Activity	Date of Acquisition	Proportion of voting equity interest acquired	Consideration transferred
Aster Hotels & Resorts Private Limited	Hotel Business	April 1, 2017	100%	34,030,554 shares of Lemon Tree Hotels Limited held by Aster Hotels & Resorts Private Limited before amalgamation stands cancelled and the same number of shares have been issued to the shareholders of Aster Hotels for consideration other than cash.
HeadStart Institute Private Limited	Vocational Training & Education	April 1, 2017	100%	7,367,360 shares of Lemon Tree Hotels Limited held by HeadStart Institute Private Limited before amalgamation stands cancelled and the same number of shares have been issued to the shareholders of HeadStart Institute for consideration other than cash.
PRN Management Services Private Limited	Management Services	April 1, 2017	100%	15,113,808 shares of Lemon Tree Hotels Limited held by PRN Management Services Private Limited before amalgamation stands cancelled and the same number of shares have been issued to the shareholders of PRN Management for consideration other than cash.

Asset Acquired and liabilities recognised at the date of acquisition
Rs. In lakhs

Particulars	Aster Hotels & Resorts Private Limited	HeadStart Institute Private Limited	PRN Management Services Private Limited
Current Assets			
Cash and cash equivalents	0.90	0.82	0.31
Other Assets	-	23.10	-
Non-current assets			
Plant and equipment	-	2.05	-
Current liabilities			
Short Term Loans	2.30	-	587.35
Other Liabilities	4.00	0.41	1.39
Total	(5.40)	25.56	(588.43)



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****Goodwill arising on acquisition**

A qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors.

Rs. In lakhs

Particulars	Aster Hotels & Resorts Private Limited	HeadStart Institute Private Limited	PRN Management Services Private Limited	Total
Consideration transferred through issue of equity shares	7,316.58	1,583.98	3,249.47	12,150.03
Less : Fair Value of net assets acquired	7,311.16	1,586.69	3,249.55	12,147.40
Goodwill/(Capital Reserve) Arising on acquisition	5.42	(2.71)	(0.08)	2.63

Impact of acquisitions on the results of the Company

Since the acquired companies were not in operations there has been negligible impact on the profits & revenue of the company.

b) Acquisition by Subsidiary company

During the previous year, on 13th May, 2016, one of the subsidiary Company, M/s. Fleur Hotels Private Limited purchased 23,110 shares of Bandhav Resorts Private Limited, constituting 100% stake, from its previous owners. On acquisition of Bandhav hotels, the Group had recognized Rs. 673.42 lakhs being the excess of amount paid for the transfer amounting to Rs. 834.04 lakhs and net assets taken over amounting to Rs. 160.62 lakhs as goodwill under intangible assets.

The fair value of assets and liabilities of Bandhav Resorts Private Limited taken over as at the date of business combination were as follows:

Rs in lakhs

Particulars	Fair value of assets and liabilities
Property, plant and equipment	522.90
Other non-current assets	18.01
Other non-current financial assets	0.72
Cash and short term deposits	2.69
Total assets (A)	544.32
Interest-bearing loans and borrowings	364.86
Other non-current financial liabilities	18.84
Total liabilities (B)	383.70
Net asset taken over (A-B)	160.62
Amount paid	834.04
Goodwill	673.42
Cash acquired on acquisition	2.69
Cash paid	834.04
Net cash on acquisition	831.35



Lemon Tree Hotels Limited

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

44. During the earlier years, one of the subsidiary had entered into an Infrastructure development and services agreement with Delhi International Airport Limited to develop two hotels at Aero City, New Delhi for an initial term of 27 years, extendable at the option of the subsidiary for an additional period of 30 years provided DIAL gets the extension from Airport Authority of India. DIAL is committed to take over the building at 'Book values', as defined in the aforesaid agreement in case the agreement is not extended further.
45. During an earlier year, the Company had entered into an agreement to sell with developer to purchase certain parts of built-up structure along with proportionate interest in the land to establish and operate a four star hotel at Jaipur and had given an advance to developer of Rs. 3,519.39 lakhs (including other expenses of Rs. 375.39 lakhs). Due to the delays in the construction, the developer earlier had also agreed to return the aforesaid amount along with interest through various communications and receipt of such amount from developer would lead to the cancellation of agreement to sell.

During the earlier year, the Company has entered into a binding agreement ('consent terms') to receive full and final settlement against the aforesaid receivable and has already received Rs. 3,360 lakhs till the year ended March 31, 2016. As per the revised consent terms, the developer has agreed to repay the balance amount and interest for delayed payment by August 31, 2016. The Company has accordingly adjusted the amount already received amounting to Rs. 3,360 lakhs against the carrying value of advance to developer and has written off the balance amount of other expenses amounting to Rs. 160.51 lakhs as 'advances written off' in the Statement of Profit & Loss. The balance amount would be recorded when the uncertainty of ultimate collectability is settled.

During the year, the company has received Rs. 670 lakhs (previous year: Rs. 600 lakhs) towards relinquishment of right in the said property.



Lemon Tree Hotels Limited**Notes to consolidated financial statements for the year ended March 31, 2018****46. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006.**

	<i>Rs. In lakhs</i>	
	March 31, 2018	March 31, 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

47. The Group does not have any long term contracts including derivative contracts for which there are any material foreseeable losses.
48. Previous period's figures in the financial statements, including the notes thereto, have been reclassified wherever required to confirm to the current period's presentation/classification. These are not material and do not affect the previously reported net profit or equity.
49. There has been no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.



Lemon Tree Hotels Limited

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

50. Amounts for year ended March 31, 2017 and as at March 31, 2017 were audited by previous auditors – S.R. Batliboi & Co. LLP.

**For and on behalf of the Board of Directors of
Lemon Tree Hotels Limited**



Patanjali G. Keswani
(Chairman & Managing Director)

DIN:00002974



Kapil Sharma
(Chief Financial Officer)



Nikhil Sethi
(Group Company Secretary & GM Legal)
Mem. No.-A18883



Place: New Delhi
Date : May 25, 2018

