

## **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 Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss including other Comprehensive income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

### **Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms with the requirement of the Companies Act, 2013 ("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 changes in equity of the Group in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act., read with Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group 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 control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 Holding Company'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 accounting policies used and the reasonableness of the accounting estimates made by the Holding Company.



# **S.R. BATLIBOI & Co. LLP**

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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 and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph (a) of the Other Matters below, 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, the 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 accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2017, their consolidated loss including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

## **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 report of the other auditors on separate financial statements and the other financial information of subsidiaries as noted in the 'other matter' paragraph, we report, to the extent applicable, that:

- (a) We / the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit 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 consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of 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 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 Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary companies incorporated in India, none of the directors of the Company and its subsidiary companies incorporated in India is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies, incorporated in India, refer to our separate report in "Annexure 1" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:



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- ii. The Group did not have any material foreseeable losses in 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 Holding Company and its subsidiaries companies incorporated in India.
- iv. The Holding Company and subsidiaries incorporated in India, have provided requisite disclosures in Note 47 to these consolidated Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes and on consideration of reports of the other auditors as noted in the "Other Matters" paragraph below, we report that these disclosures are in accordance with the books of accounts maintained by the Group and as produced to us by the Management of the Holding Company.

## **Other Matter**

We did not audit the financial statements and other financial information, in respect of 20 subsidiaries, whose Ind AS financial statements include total assets of Rs. 97,382.90 lakhs and net assets of Rs. 43,484.36 lakhs as at March 31, 2017, total revenues of Rs. 12,920.00 lakhs and net cash inflows of Rs. 292.14 lakhs for the year ended on that date. These financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditor's reports have been furnished to us by the management. 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 our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of such other auditors.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements above, 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 and the Ind AS financial statements and other financial information certified by the Management.

## **For S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

*Sanjay Vij*

**per Sanjay Vij**

Partner

Membership Number: 95169

Place of Signature: Gurgaon

Date: June 15, 2017



**ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE  
CONSOLIDATED FINANCIAL STATEMENTS OF LEMON TREE HOTELS LIMITED**

**Report on the Internal Financial Controls 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 Lemon Tree Hotels Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Lemon Tree Hotels Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the of the Holding Company, its subsidiary 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 Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 Act.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, 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 the other auditors 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.



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

## **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, the Holding Company, its subsidiary companies, which are companies incorporated in India, have, maintained 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, 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

## **Other Matters**

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

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

Chartered Accountants

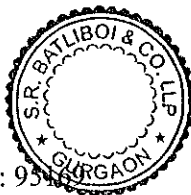
ICAI Firm Registration Number: 301003E/E300005

per Sanjay Vij  
Partner

Membership Number: 9516

Place of Signature: Gurgaon

Date: June 15, 2017



**Lemon Tree Hotels Limited**  
**Consolidated Balance Sheet as at March 31, 2017**

	Note	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
<b>ASSETS</b>				
<b>Non-current assets</b>				
(a) Property, plant and equipment	3	140,723.07	122,755.15	123,202.81
(b) Capital work-in-progress	4	34,940.66	25,924.68	16,712.06
(c) Investment Property	5	250.10	254.49	258.89
(d) Intangible assets	6	860.93	133.11	163.14
(e) Intangible assets under development	6	140.40	-	-
(f) Financial assets	7	0.26	1.14	1.11
(i) Investments		1,085.60	761.63	924.54
(ii) Loans		3,970.16	3,491.85	2,680.92
(iii) Other non-current financial assets		31,162.39	40,052.31	36,152.63
(g) Other non-current assets	8	213,133.57	193,374.36	180,096.10
<b>Current assets</b>				
(a) Inventories	9	493.67	538.51	480.76
(b) Financial assets	10	3,144.53	2,448.54	1,790.54
(i) Trade receivables		1,759.21	1,380.65	3,003.67
(ii) Cash and Cash equivalents		633.89	576.56	3,123.63
(iii) Investments	7	46.86	64.46	79.67
(iv) Loans		31.51	57.84	31.32
(v) Other current financial assets		1,930.96	2,002.75	969.50
(c) Other current assets	11	8,040.63	7,069.31	9,479.09
<b>Total Assets</b>		<b>221,174.20</b>	<b>200,443.67</b>	<b>189,575.19</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
(a) Share capital	12	78,121.30	77,804.11	77,642.57
(b) Other Equity	13	2,735.90	2,980.82	2,742.99
(c) Non-controlling interests	14	42,836.28	42,773.46	42,227.10
<b>Total Equity</b>		<b>123,693.48</b>	<b>123,558.39</b>	<b>122,612.66</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
(a) Financial liabilities	15	69,070.26	52,372.96	48,659.45
(i) Borrowings		48.49	144.80	145.78
(ii) Other non-current financial liabilities		135.64	118.94	94.87
(b) Long term provisions	16	674.18	688.95	539.11
(c) Deferred tax liabilities (net)	17	2,082.74	1,433.99	820.29
(d) Other non-current liabilities	18	72,011.31	54,759.64	50,259.50
<b>Current liabilities</b>				
(a) Financial liabilities	19	6,745.98	6,949.19	6,693.67
(i) Borrowings		6,044.52	5,171.95	3,392.93
(ii) Trade payables		10,583.83	8,532.39	5,631.91
(iii) Other current financial liabilities		226.46	172.45	110.53
(b) Provisions	16	-	-	1.07
(c) Current tax liabilities (net)	20	1,868.62	1,299.66	872.92
(d) Other current liabilities	21	25,469.41	22,125.64	16,793.03
<b>Total Liabilities</b>		<b>97,480.72</b>	<b>76,885.28</b>	<b>66,962.53</b>
<b>Total Equity and Liabilities</b>		<b>221,174.20</b>	<b>200,443.67</b>	<b>189,575.19</b>

Summary of significant accounting policies

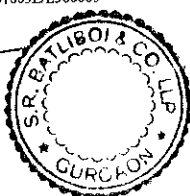
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The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batlihoi & Co. LLP  
Chartered Accountants  
ICAI Firm Registration No. 301003E/E300005

per Sanjay Vij  
Partner  
Membership No. 95169



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

Pranajali G. Keswani  
(Chairman & Managing Director)  
DIN: 00002974

Nikhil Sethi  
(Group Company Secretary & GM Legal)

Kapil Sharma  
(Chief Financial Officer)



Place: Gurgaon  
Date: June 15, 2017

Place: New Delhi  
Date: June 15, 2017

**Lemon Tree Hotels Limited**
**Consolidated Statement of Profit and Loss for the year ended 31 March, 2017**

	Note	Year ended March 31, 2017 Rs. in lakhs	Year ended March 31, 2016 Rs. in lakhs
Revenue from operations	22	41,208.07	36,795.24
Other Income	23	822.72	218.24
<b>Total Income (I)</b>		<b>42,030.79</b>	<b>37,013.48</b>
<b>Expenses</b>			
Cost of food and beverages consumed	24	3,532.67	3,461.15
Employee benefits expense	25	9,688.92	8,549.10
Other expenses	26	16,339.75	14,837.54
<b>Total Expenses (II)</b>		<b>29,561.34</b>	<b>26,847.79</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) (I-II)</b>		<b>12,469.45</b>	<b>10,165.69</b>
Finance costs	27	7,757.41	7,202.37
Finance income	28	(356.25)	(370.37)
Depreciation and amortization expense	29	5,101.24	5,226.07
<b>Profit/(loss) before tax</b>		<b>(32.95)</b>	<b>(1,892.38)</b>
Tax expense:			
(1) Current tax		170.27	108.72
(2) Minimum Alternate Tax (MAT)		173.05	156.57
(3) Adjustment of tax relating to earlier periods		(24.65)	(1.94)
(4) Deferred tax		160.39	396.11
		479.06	659.46
<b>Loss for the year</b>		<b>(512.01)</b>	<b>(2,551.82)</b>
<b>Other comprehensive income</b>			
(i) Remeasurements of defined benefit plans		10.38	5.77
(ii) Income tax effect		(2.88)	-
		7.50	5.77
<b>Total Comprehensive Income/ (Loss) for the year</b>		<b>(504.51)</b>	<b>(2,546.05)</b>
<b>Loss for the year</b>		<b>(512.01)</b>	<b>(2,551.82)</b>
Attributable to:			
Equity holders of the parent		(616.58)	(2,691.88)
Non-controlling interests		104.57	140.06
<b>Total comprehensive income for the year</b>		<b>(504.51)</b>	<b>(2,546.05)</b>
Attributable to:			
Equity holders of the parent		(624.29)	(2,686.52)
Non-controlling interests		119.78	140.47
Earnings per equity share			
(1) Basic	30	(0.07)	(0.33)
(2) Diluted	30	(0.07)	(0.33)
Summary of significant accounting policies	2.3		

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

As per our report of even date

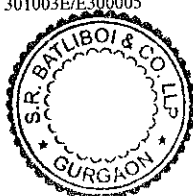
For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 301003E/E300005

per Sanjay Vij  
Partner

Membership No. 95169



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

Patanjali G. Keswani  
(Chairman & Managing Director)

DIN-00002974

Nikhil Sethi  
(Group Company Secretary & GM Legal)

Kapil Sharma  
(Chief Financial Officer)



Place : Gurgaon  
Date : June 15, 2017

Place : New Delhi  
Date : June 15, 2017

**Lemon Tree Hotels Limited**  
**Consolidated Statement of Changes in Equity**

**A. Equity Share Capital**

	No. of shares	Amount (Rs. in lakhs)
Equity shares of INR 10 each issued, subscribed and fully paid		
At 1 April 2015	776,425,748	77,642.57
Issued during the year - Exercise of ESOP	419,539	41.95
Issued during the year - other than ESOP	1,195,852	119.52
At 31 March 2016	778,041,131	77,804.11
Issued during the year - Exercise of ESOP	2,871,902	287.19
Issued during the year - other than ESOP	300,000	30.00
At 31 March 2017	781,213,033	78,121.30

**B. Other Equity**  
**For the year ended 31 March, 2017**

	Capital reserve	Capital redemption reserve	Reserves and Surplus	Share Based Payments	General Reserves	Surplus in the statement of profit & loss	Items of OCI	Non-controlling interests	Other equity
			Securities Premium				(losses) on defined benefit plans and income tax effect		
Balance at 1 April 2015	5,461.42	45.00	8,694.96	26.59	3,035.24	(14,430.23)	-	42,227.10	44,970.09
Profit/(Loss) for the year	-	-	-	-	-	(2,551.82)	5.77	-	(2,551.82)
Other Comprehensive Income for the year	-	-	-	-	-	-	-	-	5.77
Total Comprehensive Income for the year attributable to non-controlling interests	-	-	-	-	-	(140.47)	-	140.47	-
Issue of share capital	-	-	77.73	-	-	-	-	-	77.73
Share-based payments	-	-	13.71	-	-	-	-	-	148.74
Exercise of share options	-	-	-	-	-	-	-	-	13.71
Amount transferred from share based payment reserve to securities premium	-	-	3.51	(3.51)	-	-	-	-	-
Gain on deemed disposal of subsidiary (also refer note 42)	2,696.35	-	-	-	-	-	-	-	2,696.35
Proportional reduction in Goodwill on deemed disposal	(12.18)	-	-	-	-	-	-	-	(12.18)
Movement during the year due to non-controlling interest	-	-	-	-	-	-	-	-	405.89
Balance at 31 March 2016	8,145.59	45.00	8,699.91	171.82	3,035.24	(17,122.51)	5.77	42,773.46	45,754.28
Profit/(Loss) for the year	-	-	-	-	-	(512.01)	-	-	(512.01)
Other Comprehensive Income for the year	-	-	-	-	-	-	-	-	7.59
Total Comprehensive Income for the year attributable to non-controlling interests	-	-	-	-	-	(119.78)	-	119.78	-
Issue of share capital	-	-	34.50	-	-	-	-	-	34.50
Share-based payments	-	-	-	-	-	-	-	-	114.13
Amount transferred from share based payment reserve to securities premium	-	-	43.83	(43.83)	-	-	-	-	-
Exercise of share options	-	-	176.13	-	-	-	-	-	176.13
Gain on deemed disposal of subsidiary (also refer note 42)	54.61	-	-	-	-	-	-	-	54.61
Movement during the year	-	-	-	-	-	-	-	-	(56.90)
Balance at 31 March 2017	8,200.20	45.00	8,954.37	242.12	3,035.24	(17,754.30)	13.27	42,950.23	45,572.18

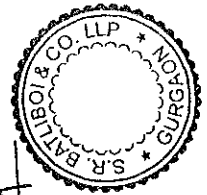
**Summary of significant accounting policies**

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

As per report of even date

For S.R. Butiboi & Co. LLP  
Chartered Accountants  
ICAI Firm Registration No. 30/003E/030005

per Sanjay Vij  
Partner  
Membership No. 95169



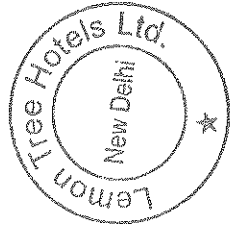
Place : Gurgaon  
Date : June 15, 2017

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

*Kavain*  
Chairman & Managing Director  
DIN: 0003974

Nishu Singh  
(Group Company) Secretary & GM (Legal)

Place : New Delhi  
Date : June 15, 2017



*Kavil Sharma*  
(Chief Financial Officer)

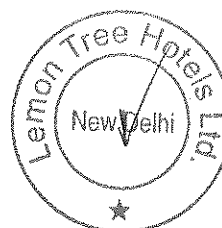


**Lemon Tree Hotels Limited**

**Consolidated Cash flow statement for the year ended March 31, 2017**

	For the year ended March 31, 2017 Rs. In lakhs	For the year ended March 31, 2016 Rs. In lakhs
<b>A. Cash flow from operating activities</b>		
Profit before tax	(32.95)	(1,892.38)
Non-cash adjustments to reconcile profit/(loss) before tax to net cash flows:		
Depreciation and amortisation expenses	5,101.24	5,226.07
Lease equalisation reserve	648.75	672.95
Finance income (including fair value change in financial instruments)	(319.76)	(190.30)
Finance costs	6,731.10	6,614.65
Advance written off	5.19	215.67
Provision for gratuity	37.92	33.76
Provision for leave encashment	21.18	10.54
Share based payments to employees	114.13	148.74
Excess provision/ credit balances written back	(57.33)	(36.59)
Profit on relinquishment of rights	(600.00)	-
Provision for litigations	21.98	47.46
Provision for doubtful debts	22.44	12.09
Net (gain)/ loss on sale of property, plant and equipment	21.59	53.47
Net (gain)/ loss on sale of current investments	(26.55)	(170.53)
<b>Operating profit before working capital changes:</b>	<b>11,688.93</b>	<b>10,745.60</b>
Movements in working capital:		
(Increase) in trade receivables	(718.44)	(670.09)
(Increase) in loans and advances and other current assets	(991.69)	(7,839.34)
Decrease/ (increase) in inventories	44.84	(57.75)
Increase in liabilities and provisions	2,560.64	3,677.05
<b>Cash Generated from Operations</b>	<b>12,584.28</b>	<b>5,855.47</b>
Direct taxes paid (net of refunds)	(419.51)	84.41
<b>Net cash flow from operating activities (A)</b>	<b>12,164.77</b>	<b>5,939.88</b>
<b>B. Cash flows used in investing activities</b>		
Purchase of property, plant and equipment including CWIP and capital advances	(23,042.89)	(12,618.82)
Proceeds from sale of property, plant and equipment	70.66	45.02
Profit on relinquishment of rights	600.00	-
Acquisition of shares in subsidiaries	(836.38)	-
Proceeds from sale of investments	0.88	(0.03)
(Purchase)/sale of current investments	(30.78)	2,717.60
Interest received	319.76	190.30
<b>Net Cash flow used in investing activities (B)</b>	<b>(22,918.75)</b>	<b>(9,665.93)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from issuance of share capital	476.24	252.97
Proceeds from Minority Interest (issuance of share capital by Subsidiaries)	-	3,090.06
Proceeds/(Repayment) from long term borrowings	17,590.61	5,119.14
Proceeds/(Repayment) of short term borrowings	(203.21)	255.51
Interest paid	(6,731.10)	(6,614.65)
<b>Net Cash from financing activities (C)</b>	<b>11,132.54</b>	<b>2,103.03</b>

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**Lemon Tree Hotels Limited**

**Consolidated Cash flow statement for the year ended March 31, 2017**

	For the year ended March 31, 2017 Rs. In lakhs	For the year ended March 31, 2016 Rs. In lakhs
Net increase/(decrease) in cash and cash equivalents (A + B + C)	378.56	(1,623.02)
Cash and cash equivalents at the beginning of the year	1,380.65	3,003.67
Cash and cash equivalents at the end of the year	1,759.21	1,380.65
Components of cash and cash equivalents		
Cash on Hand	39.46	65.74
Balances with Scheduled Banks in - Current accounts	1,719.75	1,314.91
<b>Total cash and cash equivalents</b>	<b>1,759.21</b>	<b>1,380.65</b>

Summary of significant accounting policies

2.3

As per our report of even date

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 301003E/E300005

*Sanjay Vij*

per Sanjay Vij  
Partner  
Membership No. 95169



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

*Patanjali G. Keswani*

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

*Nikhil Sethi*

Nikhil Sethi  
(Group Company Secretary & GM Legal)

*Kapil Sharma*

Kapil Sharma  
(Chief Financial Officer)



Place : Gurgaon  
Date : June 15, 2017

Place : New Delhi  
Date : June 15, 2017

## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

#### **1. Corporate Information**

Lemon Tree Hotels Limited (the Company) and its subsidiaries (collectively, the Group) 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 principal activities of the Group is to carry out business of developing, owning, acquiring, renovating and promoting hotels, motels, resorts, restaurants, etc. under the brand name of Lemon Tree Hotel, Lemon Tree Premier and Red Fox Hotel.

The consolidated financial statements are approved for issue by the Board of directors on June 15, 2017.

#### **2 Basis of preparation of financial statements and Significant accounting policies**

##### **2.1 Basis of preparation**

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

For all periods up to and including the year ended March 31, 2016, the Group prepared its consolidated financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These consolidated financial statements for the year ended March 31, 2017 are the first the Group has prepared in accordance with Ind AS. Refer to note 40 for information on how the Group adopted Ind AS.

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).

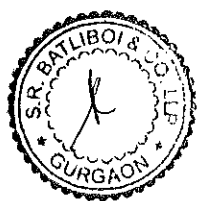
The consolidated financial statements are presented in Indian Rupees (INR) and all values are rounded to the nearest lakhs, except where otherwise indicated.

##### **2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, 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



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- 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 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

#### **Consolidation procedure:**

- (a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary 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, expenses and cash flows 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, 2017**

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**

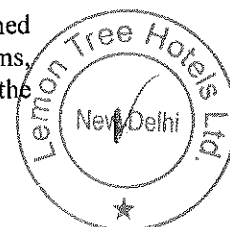
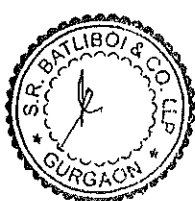
In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from April 1, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment.

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



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

separation of embedded derivatives in host contracts by the acquiree.

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



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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#### **(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**

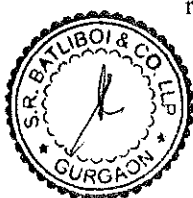
##### **Transactions and balances**

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, 2017

#### (d) Fair value measurement

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

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

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

The principal or the most advantageous market must be accessible by the 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, such as derivative instruments and unquoted financial assets measured at fair value. External valuers are involved for valuation of significant assets and liabilities. The management selects external valuer on various criteria such as market knowledge, reputation, independence and whether professional standards are maintained by valuer. The management decides, after discussions with the 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





## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

relevant documents.

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 31)
- 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) 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) and Luxury Tax. Difference of revenue over the billed as at the year-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.

#### *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*



## Lemon Tree Hotels Limited

### Notes to consolidated financial statements for the year ended March 31, 2017

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

#### *Management Fee*

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

#### (f) Taxes

Tax expense represents current income tax and deferred tax.

##### *Current income tax*

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

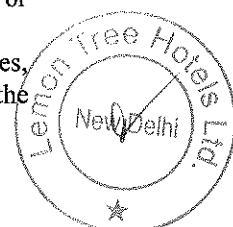
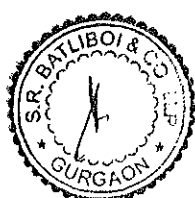
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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:

- 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



## Lemon Tree Hotels Limited

### Notes to consolidated financial statements for the year ended March 31, 2017

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 paid on acquisition of assets or on incurring expenses*

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

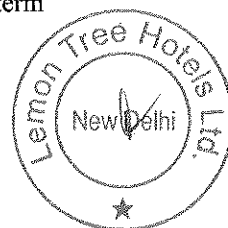
- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount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

#### **(g) Property, plant and equipment**

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, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property plant and equipment (See Note 40)

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.



## Lemon Tree Hotels Limited

### Notes to consolidated financial statements for the year ended March 31, 2017

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 (SLM)
Plant & Machinery	15 Year
Building*	60 Years
Electrical installations and fittings	10 Years
Office Equipments	5 Years
Furniture and Fixtures	10 Years
Crockery, cutlery and soft furnishings	3 Years
Vehicles	8 Years
Computers	3 Years

\* Building on leasehold land is depreciated over the primary lease period or useful life whichever is lower.

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.

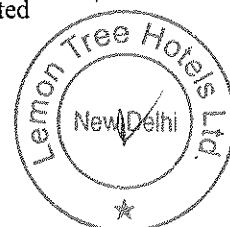
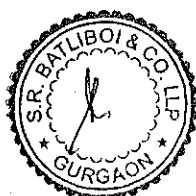
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal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

#### (h) Intangible assets

On transition to IND AS, the Group has elected to continue with the carrying value of all of its Intangible assets recognised as at April 1, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such Intangible asset (See Note 40)

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.



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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 Group 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 (See Note 40).

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.

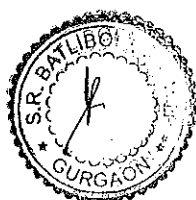
Though the Group measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer

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.

#### **(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.



## Lemon Tree Hotels Limited

### Notes to consolidated financial statements for the year ended March 31, 2017

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 Group 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:

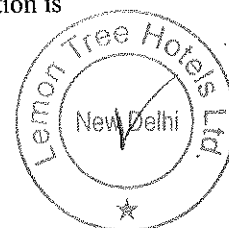
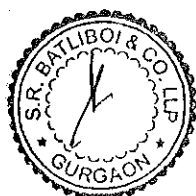
- (a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis, or
- (b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary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

##### *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 receipts 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.



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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 cost of completion and estimated costs necessary to make sale.

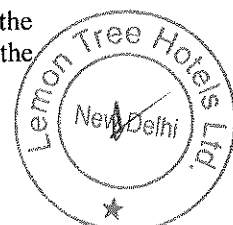
#### **(m) Impairment of non-financial assets**

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 valueless 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 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



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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.

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**

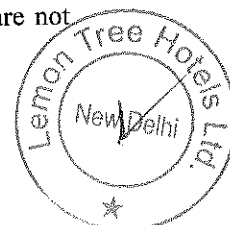
The Group operates a loyalty point's programme, which allows customers to accumulate points when they obtain services in the Group's Hotels. The points can be redeemed for free products/ nights, subject to a minimum number of points being obtained. Consideration received is allocated between the Room 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 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.





## Lemon Tree Hotels Limited

### Notes to consolidated financial statements for the year ended March 31, 2017

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.

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.

#### (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*

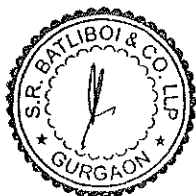
###### *Initial recognition and measurement*

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)



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

#### *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.<sup>3</sup> 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 7.

#### *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 P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

#### *Debt instrument at FVTPL*

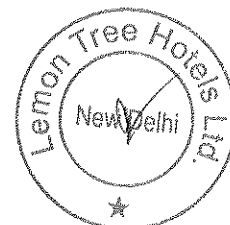
FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the 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 category are measured at fair value with all changes recognized in the P&L. Equity instruments in subsidiaries are carried at cost in separate consolidated financial statements less impairments if any.



## Lemon Tree Hotels Limited

### Notes to consolidated financial statements for the year ended March 31, 2017

#### *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.

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



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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, financial guarantee contracts and derivative financial instruments.

##### ***Subsequent measurement***

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

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



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

#### *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.

#### *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.

#### *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.

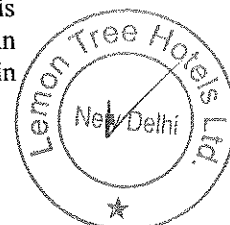
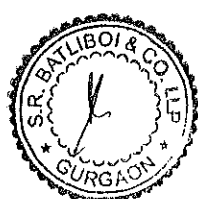
#### **(r) Cash and cash equivalents**

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 performance and/or service conditions are fulfilled in



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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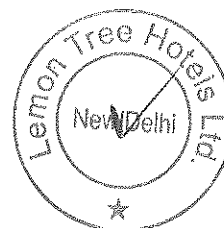
employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement 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.

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



3. Property, plant & equipment

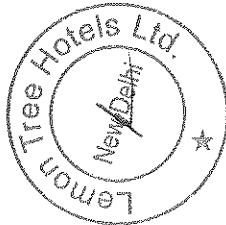
Tangible Assets												Rs. In lakhs
Particulars	Freehold land	Building on freehold land	Building on leasehold land	Plant and Machinery	Electrical fittings	Electrical equipments	Office equipments	Furniture and fixtures	Crockery, cutlery and soft furnishings	Computers	Vehicles	Total (Tangible Assets)
Deemed cost as at April 1, 2015	28,075.27	44,361.30	27,670.23	11,085.64	3,867.15	2,151.92	273.37	4,507.89	599.03	137.76	473.25	123,202.81
Additions	-	2,215.65	126.29	874.92	283.41	199.12	45.81	687.63	119.69	63.97	71.63	4,658.12
Disposals	-	-	-	1.81	48.60	7.59	2.32	66.36	-	1.10	120.16	247.94
Other adjustments	-	1.02	-	0.22	0.03	1.98	0.17	0.49	-	-	-	3.91
- Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-
- Borrowing Costs	-	145.33	-	-	-	-	-	-	-	-	-	145.33
As at March 31, 2016	28,075.27	46,723.30	27,796.52	11,958.97	4,101.99	2,345.43	317.03	5,099.65	718.72	200.63	424.72	127,602.23
Additions	8,665.34	10,019.65	-	2,276.39	16.15	68.78	41.52	871.39	376.40	77.34	163.61	22,378.77
Additions on inclusion of new subsidiary (refer note 44)	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	1.04	3.54	99.01	256.05
As at March 31, 2017	36,850.61	57,096.06	27,796.52	14,249.68	4,114.04	2,432.94	335.03	5,866.79	1,094.08	274.84	509.72	150,619.31
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
As at April 1, 2015	-	782.20	586.56	1,059.51	683.01	347.61	91.71	1,071.77	322.82	77.82	134.64	5,157.65
Charge for the year	-	-	-	0.67	32.14	1.65	1.96	49.79	-	0.56	63.80	150.57
Disposals	-	-	-	1,058.84	650.87	344.96	89.75	1,031.98	322.82	77.26	70.84	5,007.08
As at March 31, 2016	-	781.20	586.56	1,058.84	650.87	344.96	89.75	1,031.98	322.82	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	68.68	111.72	5,042.55
On account of inclusion of new subsidiary (refer note 44)	-	4.11	-	1.19	-	1.36	0.12	1.29	-	0.15	3.23	11.45
Disposals	-	-	-	1.21	5.03	0.69	23.98	69.70	1.04	3.16	60.03	164.84
As at March 31, 2017	-	1,607.63	1,131.64	2,197.41	1,310.93	707.74	74.47	2,001.24	595.49	142.93	125.76	9,896.24
Net Block	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2017	36,850.61	55,488.43	26,664.88	12,052.27	2,803.11	1,724.20	260.56	3,865.55	497.59	131.91	383.96	140,723.07
As at March 31, 2016	28,075.27	45,941.10	27,209.96	10,900.13	3,451.12	1,999.47	227.28	4,077.67	394.90	123.37	353.83	122,755.15
As at April 1, 2015	28,075.27	44,361.30	27,670.23	11,085.64	3,867.15	2,151.92	273.37	4,507.89	599.03	137.76	473.25	123,202.81

Net book value

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Plant, property and equipment	140,723.07	122,755.15	123,202.81

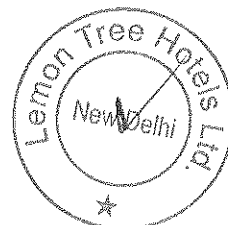
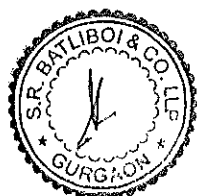
Notes

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, 2017**
**4. Capital work-in-progress**

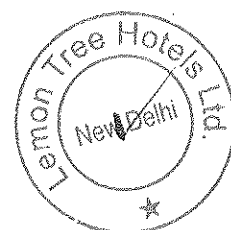
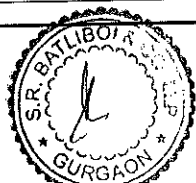
	As at March 31, 2017 (Rs in lakhs)	As at March 31, 2016 (Rs in lakhs)	As at April 1, 2015 (Rs in lakhs)
<b>Hotel at Shimla</b>			
Material	414.00	362.46	319.96
Project staff expenses	60.11	51.60	45.63
Project staff			
-Salary wages & bonus	29.73	29.72	29.72
Professional charges	80.72	80.59	74.00
Others	2.67	2.67	2.67
	<b>587.23</b>	<b>527.04</b>	<b>471.98</b>
<b>Hotel at Gurgaon, City Centre</b>			
Material	-	3,365.00	512.62
Professional charges	-	325.57	117.46
Borrowing cost	-	145.33	33.16
Project staff			
-Salary wages & bonus	-	98.09	29.90
Project staff expenses other than salary	-	33.40	13.87
Misc.Gov.expenses/fees	-	41.84	8.90
	-	4,009.23	715.91
Less: scrap sale	-	10.00	10.00
	-	3,999.23	705.91
Less:- Capitalised during the year	-	3,999.23	-
	-	-	705.91
<b>Hotel at Guragon Sector 60 (Lemon Tree)</b>			
Material	4,125.57	1,368.28	91.63
Professional charges	827.33	162.90	130.84
Borrowing cost	368.10	276.07	-
Project staff			
-Salary wages & bonus	150.78	28.51	3.62
Project staff expenses other then salary	81.13	8.16	0.88
Rates and Taxes	477.36	-	-
Others	237.53	1.64	0.46
	<b>6,267.80</b>	<b>1,845.56</b>	<b>227.43</b>
Less Capitalised during the year	<b>6,267.80</b>	-	-
	-	1,845.56	227.43
<b>Hotel at Guragon Sector 60 (Red Fox)</b>			
Material	1,931.95	906.82	67.07
Professional charges	407.77	111.02	88.22
Borrowing cost	119.83	-	-
Rates and Taxes	393.89	-	-
Project staff			
-Salary wages & bonus	124.99	25.20	3.87
Project staff expenses other then salary	45.54	-	-
Others	128.95	1.08	0.26
	<b>3,152.92</b>	<b>1,044.12</b>	<b>159.42</b>
Less Capitalised during the year	<b>3,152.92</b>	-	-
	-	1,044.12	159.42
<b>Hotel at City Center Pune</b>			
Material	4,200.43	2,326.93	849.61
Professional charges	1,242.39	1,079.12	639.04
Borrowing cost	782.00	602.45	602.45
Project staff			
-Salary wages & bonus	129.54	79.89	59.88
Project staff expenses other then salary	47.61	44.50	35.22
Travelling	8.92	7.09	4.44
Rates and taxes	571.12	305.70	274.10
Others	11.10	5.23	2.62
	<b>6,993.11</b>	<b>4,450.91</b>	<b>2,467.36</b>





**Lemon Tree Hotels Limited**
**Notes to Consolidated financial statements for the year ended March 31, 2017**

	As at March 31, 2017 (Rs in lakhs)	As at March 31, 2016 (Rs in lakhs)	As at April 1, 2015 (Rs in lakhs)
<b>Hotel at Mumbai</b>			
Material	6,347.79	3,937.11	3,906.91
Professional charges	1,541.80	817.80	795.06
Borrowing cost	231.29	145.15	183.50
Project staff			
-Salary wages & bonus	186.94	168.37	84.12
Project staff expenses other then salary	226.31	192.94	161.48
Travelling	36.28	32.47	28.93
Rates and taxes	4,274.86	4,250.07	4,218.88
Stock in Hand	-	72.78	72.77
Others	181.85	139.01	130.99
	<u>13,027.12</u>	<u>9,755.70</u>	<u>9,582.64</u>
<b>Hotel at Gachibowli, Hyderabad</b>			
Material	-	-	8,044.69
Professional charges	-	-	1,065.25
Borrowing cost	-	-	495.08
Project staff	-	-	87.13
-Salary wages & bonus	-	-	84.86
Project staff expenses other then salary	-	-	27.31
Travelling	-	-	35.89
Rates and taxes	-	-	196.70
Others	-	-	10,036.91
Total	-	-	<u>10,036.91</u>
Less:- Capitalised during the year	-	-	-
<b>Hotel at Udaipur</b>			
Material	5,268.15	3,332.48	1,080.75
Professional charges	936.02	486.62	376.37
Borrowing cost	240.72	-	-
Project staff			
-Salary wages & bonus	85.47	40.53	14.77
Project staff expenses other then salary	28.14	17.69	10.19
Travelling	12.22	9.03	5.10
Rates and taxes	30.55	25.00	31.75
Others	0.26	0.26	-
	<u>6,601.53</u>	<u>3,911.61</u>	<u>1,518.93</u>
<b>Hotel at Kolkata</b>			
Material	1,293.55	98.26	3.73
Professional charges	522.39	435.44	405.68
Borrowing cost	34.10	-	-
Project staff			
-Salary wages & bonus	52.28	12.19	-
Project staff expenses other then salary	39.22	5.27	0.03
Travelling	4.20	1.74	0.97
Others	1.06	1.06	1.06
	<u>1,946.80</u>	<u>553.96</u>	<u>411.47</u>
<b>Hotel at MIAL Aerocity, Mumbai</b>			
Material	4.12	2.62	1.89
Professional charges	2,436.97	2,049.60	670.96
Lease rent	2,723.29	1,420.16	174.96
Project staff			
-Salary wages & bonus	5.97	1.99	-
Project staff expenses other then salary	4.14	0.78	0.10
Travelling	16.22	14.50	2.89
Rates and taxes	345.83	328.31	304.99
Others	24.49	17.82	11.13
	<u>5,561.03</u>	<u>3,835.78</u>	<u>1,166.92</u>
<b>Hotel at Bandhavgarh, Madhya Pradesh</b>			
Material	206.53	-	-
Professional charges	2.28	-	-
Project staff	-	-	-
-Salary wages & bonus	8.46	-	-
Project staff expenses other than salary	0.05	-	-
Travelling	3.38	-	-
Rates and taxes	0.66	-	-
Others	2.48	-	-
	<u>223.84</u>	-	-
<b>Total</b>	<u>34,940.66</u>	<u>25,924.68</u>	<u>16,712.06</u>



**Lemon Tree Hotels Limited**

Notes to Consolidated financial statements for the year ended March 31, 2017

**5. Investment Property**

	<i>Rs. In lakhs</i>
Particulars	Total
<b>Cost or valuation</b>	
Deemed Cost as at April 1, 2015	258.89
Additions	-
<b>As at March 31, 2016</b>	<b>258.89</b>
Additions	-
<b>As at March 31, 2017</b>	<b>258.89</b>
<b>Depreciation and Impairment</b>	
As at April 1, 2015	-
Charge for the year	4.40
<b>As at March 31, 2016</b>	<b>4.40</b>
Charge for the year	4.39
<b>As at March 31, 2017</b>	<b>8.79</b>
<b>Net Block</b>	
<b>As at March 31, 2017</b>	<b>250.10</b>
<b>As at March 31, 2016</b>	<b>254.49</b>
<b>As at April 1, 2015</b>	<b>258.89</b>

**Information regarding income and expenditure of Investment property:**

	March 31, 2017	March 31, 2016
	Rs in lakhs	Rs in lakhs
Rental income derived from investment property	14.42	12.91
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)	(1.13)
<b>Profit arising from investment properties before depreciation and indirect expenses</b>	<b>13.43</b>	<b>11.78</b>
Less – Depreciation	(4.39)	(4.40)
<b>Profit arising from investment properties before indirect expenses</b>	<b>9.04</b>	<b>7.38</b>

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 31 March 2017 and 31 March 2016, 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.

**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, 2017**

**6. Intangible Assets**

<i>Rs. In lakhs</i>			
Particulars	Software	Goodwill	Total
<b>Cost or valuation</b>			
Deemed Cost as at April 1, 2015	163.14	-	163.14
Additions	35.12	-	35.12
Disposals	-	-	-
<b>As at March 31, 2016</b>	<b>198.26</b>	<b>-</b>	<b>198.26</b>
Additions (refer note 44)	109.76	673.42	783.18
Disposals	41.29	-	41.2939
<b>As at March 31, 2017</b>	<b>266.73</b>	<b>673.42</b>	<b>940.15</b>
<b>Amortisation and impairment</b>			
As at April 1, 2015	65.15	-	65.15
Amortisation	-	-	-
Disposals	-	-	-
<b>As at March 31, 2016</b>	<b>65.15</b>	<b>-</b>	<b>65.15</b>
Amortisation	55.37	-	55.37
Disposals	41.30	-	41.30
<b>As at March 31, 2017</b>	<b>79.22</b>	<b>-</b>	<b>79.22</b>
<b>Net Block</b>			
<b>As at March 31, 2017</b>	<b>187.51</b>	<b>673.42</b>	<b>860.93</b>
As at March 31, 2016	133.11	-	133.11
As at April 1, 2015	163.14	-	163.14

**Net book value**

Intangible assets

Intangible assets under development

As at  
March 31, 2017

As at  
March 31, 2016

As at  
April 1, 2015

860.93  
140.40

133.11  
-

163.14  
-



Lemon Tree Hotels Limited  
Notes to Consolidated financial statements for the year ended March 31, 2017

7 Financial assets

(i) Investments

Government Securities at amortised cost  
Six Years National Saving Certificates

Investments at fair value through Profit & Loss

Mutual funds

10,422 (March 31, 2016: 13,299, April 1, 2015: Nil) units of Reliance Money Manager Fund-Direct Plan-Growth Option

11,016.85 (March 31, 2016: Nil, April 1, 2015: Nil) Units of Reliance Money Manager Fund-Direct Growth Plan Growth Option

Nil (March 31, 2016: 393,973, April 1, 2015: Nil) units of Reliance Quarter Interval Fund-Series II

5648 (March 31, 2016: 6,777, April 1, 2015: 14,671) units of Reliance liquid fund treasury plan

703 (March 31, 2016: 703, April 1, 2015: 27,517) units of Reliance liquid fund direct plan

Nil (March 31, 2016: Nil, April 1, 2015: 203,809) units of ICICI Prudential Liquid Direct Plan Growth

Nil (March 31, 2016: Nil, April 1, 2015: 180,312) units of Birla Sun Life Cash Plus Growth Direct Plan

Nil (March 31, 2016: Nil, April 1, 2015: 8,432) units of Axis Liquid Fund

Nil (March 31, 2016: Nil, April 1, 2015: 14,895) units of Principal Cash Management Fund-Regular Plan Growth

Nil (March 31, 2016: Nil, April 1, 2015: 803,737) units of DWS Insta Cash Plus Fund - Bonus plan

Other investments at fair value through Profit and Loss

2,567 (March 31, 2016: 2,567, April 1, 2015: 2,567) equity shares of SEP Energy Private Limited of Rs.10 each fully paid.

Aggregate book value of quoted investments

Aggregate market value of quoted investments

Aggregate amount of impairment in value of investments

Current

Non-Current

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
---	---	--

-	0.88	0.85
237.26	282.21	-
250.80	-	-
-	81.74	-
128.59	196.55	500.47
17.24	16.06	580.24
-	-	422.09
-	-	404.97
-	-	130.78
-	-	202.35
-	-	882.73
0.26	0.26	0.26
634.15	577.70	3,124.74

633.89	576.56	3,123.63
633.89	576.56	3,123.63
-	-	-
633.89	576.56	3,123.63
0.26	1.14	1.11
634.15	577.70	3,124.74

(ii) Loans

Unsecured, considered good

Loans to employees at amortised cost

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
---	---	--

1,085.60	761.63	924.54
1,085.60	761.63	924.54

(iii) Other Non-current financial assets

Unsecured, considered good

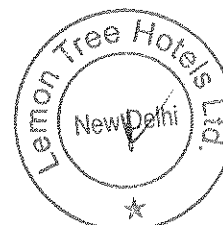
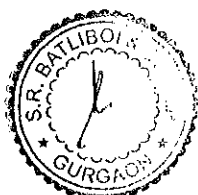
Security Deposits

Interest accrued on deposits with banks and others

Other bank balances

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
---	---	--

2,904.65	2,503.64	1,785.56
276.58	216.18	153.09
788.93	772.03	742.27
3,970.16	3,491.85	2,680.92



**Lemon Tree Hotels Limited**

**Notes to Consolidated financial statements for the year ended March 31, 2017**

**8 Other non-current assets**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
<b>Unsecured, considered good</b>			
Capital Advances	6,968.13	16,086.01	17,737.96
<b>Unsecured, considered good</b>			
Balance with statutory/ government authorities	66.83	66.83	18.74
Advance Income Tax (net of provision for taxation)	2,100.78	1,950.26	1,592.51
Prepaid stamp duty	228.29	211.16	236.93
Prepaid conversion charges (Also refer note 42)	512.55	522.61	532.68
Prepaid expenses	304.46	-	28.29
Advances recoverable in cash or kind or for value to be received	-	-	13.47
Prepayments of security deposit	20,981.35	21,215.44	15,992.05
	24,194.26	23,966.30	18,414.67
<b>Total</b>	<b>31,162.39</b>	<b>40,052.31</b>	<b>36,152.63</b>



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**Lemon Tree Hotels Limited**

**Notes to Consolidated financial statements for the year ended March 31, 2017**

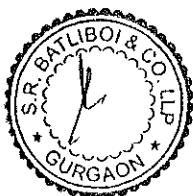
**9 Inventories**  
(Valued at lower of cost or net realisable value)

(valued at lower of cost and net realisable value)

Food and beverages (excluding liquor and wine)  
Liquor and wine  
Stores, cutlery, crockery, linen, provisions and others  
**Total**

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
102.47	100.07	77.17
111.86	115.86	77.49
279.34	322.58	326.10
<b>493.67</b>	<b>538.51</b>	<b>480.76</b>

During the year ended March 31, 2017: Rs. 44.50 lakhs, (March 31, 2016: Rs. 27.78 lakhs, March 31, 2015: Rs. 10.40 lakhs) was recognised as an expense for inventories carried at net realisable value



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**Lemon Tree Hotels Limited**
**Notes to Consolidated financial statements for the year ended March 31, 2017**
**10 Financial assets**
**(i) Trade receivables**

Trade receivables

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
3,144.53	2,448.54	1,790.54
3,144.53	2,448.54	1,790.54

**Break-up for security details:**

Trade receivables

Secured, considered good

Secured, considered doubtful

Unsecured, considered good

Unsecured, considered doubtful

1.18	1.05	-
1.18	5.53	-
3,143.35	2,447.48	1,790.54
35.47	25.57	33.60
3,181.18	2,479.63	1,824.14

**Impairment Allowance (allowance for bad and doubtful debts)**

Secured, considered doubtful

Unsecured, considered doubtful

1.18	5.53	-
35.47	25.57	33.60
36.65	31.10	33.60
3,144.53	2,448.54	1,790.54

**Total Trade receivables**

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.

**(ii) Cash and cash equivalents**
**Balance with banks**

On current &amp; cash credit accounts

Cash on hand

As At March 31, 2017 Rs. In lakhs	As At March 31, 2016 Rs. In lakhs	As At April 1, 2015 Rs. In lakhs
1,719.75	1,314.91	2,936.34
39.46	65.74	67.33
1,759.21	1,380.65	3,003.67

At March 31, 2017, the Group had available Rs. 25,900 lakhs (March 31, 2016: Rs. 2,480 lakhs, April 1, 2015: Nil) of undrawn committed borrowing facilities.

**(iii) Other current financial assets**

Other bank balances

Security deposits

**Others**

Commission receivable

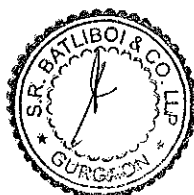
As At March 31, 2017 Rs. In lakhs	As At March 31, 2016 Rs. In lakhs	As At April 1, 2015 Rs. In lakhs
2.00	-	-
29.10	54.92	27.54
0.41	2.92	3.78
31.51	57.84	31.32

**(iv) Loans**

Loans &amp; advances to director

Loans to employees

As At March 31, 2017 Rs. In lakhs	As At March 31, 2016 Rs. In lakhs	As At April 1, 2015 Rs. In lakhs
46.86	64.46	54.67
-	-	25.00
46.86	64.46	79.67



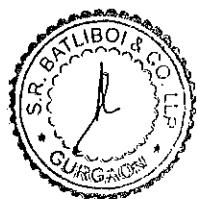
**Lemon Tree Hotels Limited**

Notes to Consolidated financial statements for the year ended March 31, 2017

**11 Other current assets**

	As At March 31, 2017 Rs. In lakhs	As At March 31, 2016 Rs. In lakhs	As At April 1, 2015 Rs. In lakhs
Advances recoverable in cash or kind			
- Employee Advance	1.77	0.50	0.6040
- Others	375.63	591.72	112.41
	377.40	592.22	113.01
Provision for doubtful advances	8.75	-	-
	368.65	592.22	113.01
Accrued revenue	308.49	300.08	212.49
Balance with statutory/ government authorities	653.41	730.23	278.30
Prepaid stamp duty	25.51	25.51	24.97
Prepaid conversion charges (Also refer note 42)	10.07	10.07	10.07
Prepaid Expenses	564.83	344.64	330.66
<b>Total</b>	<b>1,930.96</b>	<b>2,002.75</b>	<b>969.50</b>

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12 Share capital

Authorised Share Capital

	Equity shares	
	No. of shares	Rs. In lakhs
At 1 April 2015	998,550,000	99,855.00
Increase/(decrease) during the year	-	-
At 31 March 2016	998,550,000	99,855.00
Increase/(decrease) during the year	-	-
At 31 March 2017	998,550,000	99,855.00

5% Redeemable Cumulative Preference Shares

	No. of shares	Rs. In lakhs
At 1 April 2015	145,000	145.00
Increase/(decrease) during the year	-	-
At 31 March 2016	145,000	145.00
Increase/(decrease) during the year	-	-
At 31 March 2017	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

	No. of shares	Rs. In lakhs
At 1 April 2015*	776,425,740	77,642.57
Issued during the year - Exercise of ESOP	419,539	41.95
Issued during the year - other than ESOP	1,195,852	119.59
At 31 March 2016*	778,041,131	77,804.11
Issued during the year - Exercise of ESOP	2,871,902	287.19
Issued during the year - other than ESOP	300,000	30.00
At 31 March 2017*	781,213,033	78,121.30

\* excluding 61,032 equity shares ( March 31, 2016: 61,032 shares, March 31, 2015: 61,032 shares) held by ESOP trust which has been consolidated in accordance with the requirement of IndAS 102. The movement is explained below :-

	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
At 1 April 2015*	776,486,772	77,648.68	61,032	6.10	776,425,740	77,642.57
Issued during the year - Exercise of ESOP	419,539	41.95	-	-	419,539	41.95
Issued during the year - other than ESOP	1,195,852	119.59	-	-	1,195,852	119.59
At 31 March 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
At 31 March 2017*	781,274,065	78,127.41	61,032	6.10	781,213,033	78,121.30

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

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
Equity shares of Rs. 10 each fully paid up	192,908,118	24.69%	192,908,118	24.79%	192,908,118	24.84%
Maplewood Investment Limited	180,122,627	23.06%	180,122,627	23.15%	163,266,970	21.03%
Spank Management Services Private Limited	78,748,368	10.08%	78,748,368	10.12%	78,748,368	10.14%
RJ Corp Limited	118,730,914	15.20%	118,730,914	15.26%	102,880,914	13.25%
APG Strategic Real Estate Pool N.V.						

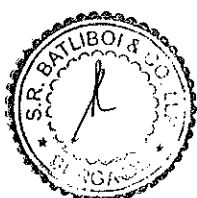
Shares reserved for issue under options

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, 2017	March 31, 2016
No. of shares	No. of shares	No. of shares
Equity shares allotted as fully paid, pursuant to amalgamations	32,486,000	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

In addition, the company has issued total 4,884,737 shares (March 31, 2016 : 3,048,468, April 1, 2015: 2,656,166) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.



13 Other equity

Securities Premium

	Rs. In lakhs
At 1 April 2015	8,604.96
Add: On issue of shares	77.73
Add: additions on ESOPs exercised (excluding transferred from stock options outstanding)	13.71
Add: transferred from stock options outstanding	3.51
At 31 March 2016	8,699.91
Add: premium 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
At 31 March 2017	8,954.37

Retained Earnings

	Rs. In lakhs
At 1 April 2015	(14,430.22)
Profit/(loss) for the year	(2,686.52)
At 31 March 2016	(17,116.74)
Profit/(loss) for the year	(624.29)
At 31 March 2017	(17,741.03)

Capital Reserve

	Rs. In lakhs
At 1 April 2015	5,461.42
Add: Gain on deemed disposal of subsidiary (Also refer Note 43)	2,696.35
Less: Proportionate reduction in Goodwill on deemed disposal (Also refer Note 43)	(12.18)
At 31 March 2016	8,145.59
Increase/(decrease) during the year	54.61
At 31 March 2017	8,200.20

General Reserve

	Rs. In lakhs
At 1 April 2015	3,035.24
Increase/(decrease) during the year	-
At 31 March 2016	3,035.24
Increase/(decrease) during the year	-
At 31 March 2017	3,035.24

Share-based payments

	Rs. In lakhs
At 1 April 2015	26.59
Add:- Expense for the year (Refer note 35)	148.74
Less:- transferred to securities premium on exercise of stock options	(3.51)
At 31 March 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)
At 31 March 2017	242.12

Capital redemption reserve

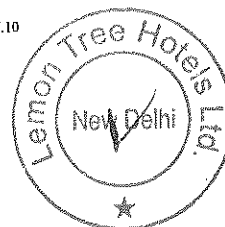
	Rs. In lakhs
At 1 April 2015	45.00
Increase/(decrease) during the year	-
At 31 March 2016	45.00
Increase/(decrease) during the year	-
At 31 March 2017	45.00

Other reserves

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Securities Premium	8,954.37	8,699.91	8,604.96
Retained Earnings	(17,741.03)	(17,116.74)	(14,430.22)
Capital Reserve	8,200.20	8,145.59	5,461.42
General Reserve	3,035.24	3,035.24	3,035.24
Share-based payments	242.12	171.82	26.59
Capital redemption reserve	45.00	45.00	45.00
	2,735.90	2,980.82	2,742.99

14 Non-controlling interest

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Non-controlling interest	42,836.28	42,773.46	42,227.10



**Lemon Tree Hotels Limited**
**Notes to Consolidated financial statements for the year ended March 31, 2017**
**15 Borrowings**
**Non-current borrowings**
**Term Loans**
**Indian rupee loans from Banks (Secured)**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Punjab National Bank (Refer note 1 below)	-	-	5,466.45
Axis Bank Limited (Refer note 15 below)	6,414.37	7,233.33	7,913.23
Kotak Mahindra Bank Limited (Refer note 3, 4, 5 & 6 below)	6,647.53	3,931.46	792.28
Andhra Bank (Refer note 4 below)	2,171.25	2,409.34	2,647.44
The Ratnakar Bank Limited (Refer note 5, 6 & 7 below)	10,593.45	11,593.67	12,353.60
Yes bank Limited (Refer note 18 below)	31,966.34	15,762.41	12,164.81
Hdfc Bank Limited (Refer note 12 below)	2,027.38	-	-
Vehicle loans (Refer note 9 below)	159.95	115.91	171.44

**Rupee term loans from financial institutions**

Tourism Finance Corporation of India Limited (Refer note 13 & 14 below)	-	2,056.91	3,208.53
Aditya Birla Finance Limited (Refer note 10 & 11 below)	9,089.99	9,269.93	3,941.67

**Total non-current borrowings**

69,070.26	52,372.96	48,659.45
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**Current borrowings**
**Term Loans**
**Current maturity of long term loans**

Punjab National Bank (Refer note 1 below)	-	-	13.75
Axis Bank Limited (Refer note 15 below)	720.00	660.00	452.00
Kotak Mahindra Bank Limited (Refer note 3, 4, 5 & 6 below)	1,218.96	834.89	210.00
Andhra Bank (Refer note 4 below)	240.00	240.00	150.00
The Ratnakar Bank Limited (Refer note 5, 6 & 7 below)	1,023.76	772.56	290.00
Yes bank Limited (Refer note 18 below)	544.00	250.00	62.50
Hdfc Bank Limited (Refer note 12 below)	42.00	-	-
Vehicle loans (Refer note 9 below)	73.86	83.19	126.96

**Rupee term loans from financial institutions**

Tourism Finance Corporation of India Limited (Refer note 13 & 14 below)	-	192.60	446.40
Aditya Birla Finance Limited (Refer note 10 & 11 below)	188.00	124.00	-

**Total current borrowings**

4,050.58	3,157.24	1,751.61
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Less: Amount clubbed under "other current liabilities"

(4,050.58)	(3,157.24)	(1,751.61)
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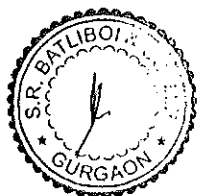
**Net current borrowings**

-	-	-
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73,120.84	55,530.20	50,411.06
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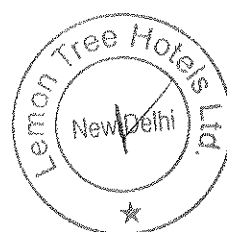
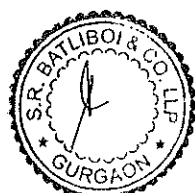
**(ii) Other financial liabilities**
**Security deposits**

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
48.49	144.80	145.78
48.49	144.80	145.78



Footnotes to Note 15 "Borrowings"						Rs in million
Note	Lender	Amount Sanctioned	Carrying rate of Interest as at March 31, 2017	Carrying rate of Interest as at March 31, 2016	Repayment/ Modification of terms	Security/ Principal terms and conditions
1	Punjab National Bank	550.00	Nil	Nil	Loan is repayable in 38 Quarterly ballooning installments payable back ended and commencing from 31.01.2016 after allowing moratorium period.	First charge of all movables including fixed assets, current assets, capital goods/capex goods and mortgage by way of deposit of title deeds of its property at Gachi bowli, Hyderabad, Andhra Pradesh is created in favour of Punjab National Bank to secure the credit facilities.
2	Kotak Mahindra Bank Limited	75.00	11.95%	11.95%	The loan is repayable in 60 monthly installments of Rs 1,666,667 each along with interest subsequently after disbursement beginning from April 2013.	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 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. 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 Movable Fixed assets of the Hotel Property at Sector-29, Gurgaon. d) Personal Guarantee of Mr. Patanjali G. Keswani.
3	Kotak Mahindra Bank Limited	200.00	11.95%	11.95%	The loan is repayable in 20 quarterly installments post the end of the moratorium period.	It is secured by: (i) First pari-passu charge on all of the Project's immovable properties (except land), present and future. (ii) First pari-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 pari-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 charge of bankers on specified current assets for securing working capital facilities & subject to prior approval of the 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 clearances; (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) Pari-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 pari-passu basis with other lenders.
4	Andhra Bank	300.00	interest rate @ base rate + 3.50% (Currently 11.50%)	interest rate @ base rate + 1.25% + 0.50% (Currently 11.50%)	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) First pari-passu charge on all of the Project's immovable properties (except land), present and future subject to prior confirmation from panel advocates Legal Department of the Bank. (ii) A first 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) A first 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 charge of bankers on specified current assets for securing working capital facilities. (iv) First charge by way of assignment or creation of charge in favour of the lender of: - 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; - All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in clearances; - 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 - All insurance contracts/insurance proceeds; (v) Charges 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.
5	The Ratnakar Bank Limited	300.00	interest rate @ base rate + 2.75% (Currently 11.50%)	interest rate @ base rate + 2.75% (Currently 13.65%)	The loan is repayable in scattered quarterly installment beginning from December 2013.	It is secured by: (i) First pari-passu charge on all of the Project's immovable properties (except land), present and future subject to prior confirmation from panel advocates Legal Department of the Bank. (ii) A first 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) A first 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 charge of bankers on specified current assets for securing working capital facilities. (iv) First charge by way of assignment or creation of charge in favour of the lender of: - 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; - All the rights, title, interest, benefits, claims and demands whatsoever of the borrower in clearances; - 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 - All insurance contracts/insurance proceeds; (v) Charges 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.
6	The Ratnakar Bank Limited	300.00	interest rate @ base rate + 1.55% (Currently 12.20%)	interest rate @ base rate + 1.55% (Currently 12.20%)	The loan is repayable in scattered quarterly installment beginning from June 2016. Interest is payable monthly as and when due	It is secured by: a) First pari passu 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.
7	The Ratnakar Bank Limited	450.00	12.20%	12.55%	The Loan is repayable in 32 quarterly installments starting from Dec'13.	The Loan is secured by a exclusive charge on all the movable fixed assets of the company situated at EDM mall, East Delhi, built on Plot no. 1, Kirtihami, Ghaziabad, exclusive charge on 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 Khama No.102/103/4/3, 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.
8	Yes Bank Limited	1,250.00	interest rate @ base rate + 0.28% (Currently 10.78%)	interest rate @ base rate + 1.80% (Currently 12.05%)	The loan is repayable in scattered quarterly installment beginning from April 2017.	a) Exclusive charge on all immovable fixed assets of Lemon tree hotels Premier, Hyderabad. b) Exclusive charge on all movable fixed assets and current assets both present and future of LTH, Hyderabad. c) Corporate guarantee of the Company
9	Vehicle loan (different banks)	-	Rate of interest of these loans ranges from 9.00 % to 14.00 %	Rate of interest of these loans ranges from 9.00 % to 14.00 %	These loans are repaid on agreed monthly installments.	
10	Aditya Birla Finance Limited	400.00	interest rate @ benchmark rate + 2.30% (Currently 11.55%)	interest rate @ benchmark rate + 2.30% (Currently 11.80%)	The loan is repayable in scattered quarterly installment beginning from December 2016. Interest is payable monthly as and when due.	It is secured by: a) First pari 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
11	Aditya Birla Finance Limited	550.00	Base Rate Plus 2.15%	Base Rate Plus 2.15%	The Loan is repayable in 56 Structured Quarterly installments payable after moratorium period of 12 months from the date of first disbursement.	a) first exclusive charge of all immovables fixed assets (both present and future) of the LTH Gachibowli Hyderabad hotel b) first exclusive charge on all the movable fixed assets (both present and future) of LTH Gachibowli Hyderabad hotel. c) first exclusive charge on escrow account of entire cash flow of LTH Gachibowli Hyderabad hotel. d) Corporate guarantee of the Company.
12	HDFC Bank Limited	210.00	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%)	Nil	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-I, Industrial Area, Chandigarh, including by hypothecation of all movables and mortgage of leasehold rights on land admeasuring 0.46 acres and building thereon. b) A first & exclusive charge on Projects (Lemon Tree" at Plot No. 3 MW, Phase-I, Industrial Area, Chandigarh) unencumbered-book debts, operating cash flows, receivables, commissions, bank accounts (wherever held) if any-present & future all revenues c) Mortgage of leasehold rights of the projects (Lemon Tree" at Plot No. 3 MW, Phase-I, Industrial Area, Chandigarh) land admeasuring 0.46 acre (2241.38 sq.m) and building thereon.
13	Tourism Finance Corporation of India Limited	120.00	prime lending rate + 0.50% (currently 13.0%)	prime lending rate + 0.50% (currently 13.0%)	The loan is repayable in quarterly installment of 4,285,000 each along with interest beginning from April 2010.	a.) first charge by way of hypothecation of all the movables (save and except book debts) of the Company at Aurangabad Hotel subject to prior charge of bankers on specified movable assets for securing working capital facilities. b) Corporate Guarantee of Meringue Hotels Private Limited and Personal Guarantee of Mr. Patanjali G. Keswani.
14	Tourism Finance Corporation of India Limited	210.00	Nil	interest rate @ TBR+0.75%P.A. (Currently 13.00%)	The loan was taken over by HDFC Bank with effect from 30.05.2016.	Below mentioned charge was satisfied on repayment of loan: a) First charge on all the fixed assets, both present and future, of the hotel "Lemon Tree" at Plot No. 3 MW, Phase-I, Industrial Area, Chandigarh, including by hypothecation of all movables and mortgage of leasehold rights on land admeasuring 0.46 acres and building thereon.
15	Axis Bank Limited	1,000.00	base rate + 3.25% (Currently 11.85%)	base rate + 3.25% (Currently 13.25%)	The Loan is repayable in 40 quarterly installments with first installment falling due after a period of 3 years from first disbursement.	It is secured by way of: (a) A first pari passu 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 pari passu charge on Company's bank accounts and all revenues of the Company. (c) Right of substitution provided by DIAL under tripartite agreement with the Company and SBI as lender's agent. (d) Pledge of 31% equity shares of the Company held by the Holding Company. (e) Corporate guarantee of the Company.

- (i) The Company has not defaulted in the repayment of loans and interest as at Balance Sheet date.  
(ii) Bank loans availed by the Company are subject to certain covenants relating to interest coverage ratio, debt service coverage ratio, capital gearing ratio.  
(iii) The Company 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, 2017**

**16 Provisions**

**Provision for gratuity**

Current

Non-current

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
171.54	143.99	116.00
35.90	25.05	21.13
135.64	118.94	94.87

**Provision for leave benefits**

Current

Non-current

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
121.12	99.94	89.40
121.12	99.94	89.40
-	-	-

**Provision for litigations**

Current

Non-current

As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
69.45	47.46	-
69.45	47.46	-
-	-	-

**Total current**

**Total non-current**

226.46	172.45	110.53
135.64	118.94	94.87

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**Lemon Tree Hotels Limited**
**Notes to Consolidated financial statements for the year ended March 31, 2017**
**17 Deferred tax liability (net)**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Property, plant and equipments	5,545.46	5,296.36	4,832.55
Fair value of investments	0.60	1.16	-
Revaluation of land	401.77	436.61	481.74
<b>Deferred tax liability</b>	<b>5,947.83</b>	<b>5,734.13</b>	<b>5,314.29</b>
Impact of expenditure charged to the statement of profit and loss in the current/ earlier period but allowable for tax purposes on payment basis	120.15	311.98	65.61
Effect of unabsorbed depreciation and business loss	3,125.40	3,035.45	4,043.45
Provision for gratuity	35.70	34.45	28.26
Provision for leave compensation	26.43	23.78	22.57
loyalty program	1.81	2.29	6.18
Provision for litigation	9.68	-	-
Provision for slow moving inventory	10.55	-	-
Expense on account of lease equalization reserve created	332.27	282.72	228.50
Security deposits	222.98	196.57	174.12
Loan to employee recorded at amortized cost	5.84	7.23	11.22
Borrowings	0.40	0.10	0.14
Prepaid expenses	1.85	-	-
Provision for expected credit losses	5.67	3.40	0.79
MAT credit entitlement receivable	1,374.92	1,147.21	194.34
<b>Deferred tax asset</b>	<b>5,273.65</b>	<b>5,045.18</b>	<b>4,775.18</b>
<b>Deferred tax liability (net)</b>	<b>674.18</b>	<b>688.95</b>	<b>539.11</b>

**Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2016 and 31 March 2017:**

	March 31, 2017	March 31, 2016
Profit/(loss) before tax	(32.95)	(1,892.38)
Tax rate	33.99%	33.99%
Tax at statutory income tax rate	(11.20)	(643.22)
Effect of incomes taxable at nil/lower rate	(161.86)	(92.22)
Effect of non-deductible expenses	(100.08)	54.39
Tax Effect of expenses/ income not allowed/ required to tax under Income tax charge/ (credit) in respect of earlier year	(24.65)	2.91
Unrecognized tax assets (net)	776.86	1,337.60
Net	479.06	659.46
As per profit and loss account	479.06	659.46



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**Lemon Tree Hotels Limited**

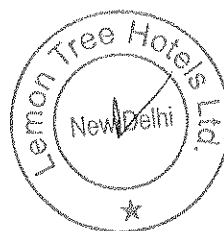
**Notes to Consolidated financial statements for the year ended March 31, 2017**

**18 Other Non-current liabilities**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Reserve for lease equalisation	2,082.74	1,433.99	761.04
Security deposits	-	-	11.23
Advance from customers (earnest advance)	-	-	48.02
	<u>2,082.74</u>	<u>1,433.99</u>	<u>820.29</u>



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**Lemon Tree Hotels Limited**
**Notes to Consolidated financial statements for the year ended March 31, 2017**
**19 Financial liabilities**
**(i) Borrowings**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Cash credit from banks (Secured)	3,215.97	4,419.18	4,163.66
Working capital loan (Secured)	1,000.00	-	-
0% loan from shareholders and directors repayable on demand (Unsecured)	2,530.01	2,530.01	2,530.01
	<u>6,745.98</u>	<u>6,949.19</u>	<u>6,693.67</u>

- A** The Cash credit facility and working capital loan from Kotak Mahindra Bank is repayable on demand and carries interest rate of 12.00% p.a. (March 31, 2016: 12.90% 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.
  - Personal Guarantee of Mr. Patanjali G. Keswani.
- B** The Cash credit facility from Yes Bank is repayable on demand and carries interest rate of 10.70% p.a. (March 31, 2016: 12.05% 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

**(ii) Trade payables**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Trade Payables	-	3.87	-
-Micro and small enterprises	6,044.52	5,168.08	3,392.93
-Other than Micro and small enterprises			
	<u>6,044.52</u>	<u>5,171.95</u>	<u>3,392.93</u>

**(iii) Other financial liabilities**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Current maturities of long-term borrowings	4,050.58	3,157.24	1,751.61
Interest accrued but not due on borrowings	41.39	39.29	24.38
Retention Money Payable	-	110.84	161.44
Book overdraft	468.65	619.73	47.32
Other payables			
-Payable for capital goods	2,013.57	1,284.89	613.88
-Sundry Deposits	0.75	23.25	21.16
-Payable to employees	15.10	13.69	12.16
Outstanding dues of other creditors	3,993.79	3,283.46	2,999.96
	<u>10,583.83</u>	<u>8,532.39</u>	<u>5,631.91</u>

**20 Current Tax Liabilities (net)**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Provision for wealth tax (Net of advance tax)	-	-	1.07
	<u>-</u>	<u>-</u>	<u>1.07</u>

**21 Other current liabilities**

	As at March 31, 2017 Rs. In lakhs	As at March 31, 2016 Rs. In lakhs	As at April 1, 2015 Rs. In lakhs
Advance from customers	949.97	637.53	235.34
Deferred revenue- loyalty programme	5.32	6.73	18.19
Statutory Dues	913.33	655.40	619.39
	<u>1,868.62</u>	<u>1,299.66</u>	<u>872.92</u>





**Lemon Tree Hotels Limited**
**Notes to Consolidated financial statements for the year ended March 31, 2017**
**22 Revenue From Operations**
**Revenue from operations**
**Sale of products and services**

- Room rental
- Food and beverage (excluding liquor and wine)
- Liquor and wine
- Banquet rentals
- Telephone and telex
- Other Services (including service charge income)

**Other Operating Revenue**

- Management fee
- Commission income

**Revenue from operations**

March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
27,168.83	24,111.83
7,856.93	7,431.15
966.30	887.62
168.32	111.19
103.14	72.62
4,395.57	4,077.57
543.76	95.98
5.22	7.28
41,208.07	36,795.24

**23 Other income**

- Income from serve for India scheme
- Profit on relinquishment of rights (refer note 46)
- Rent received
- Excess provision/ credit balances written back
- Exchange difference (net)
- Miscellaneous income

March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
73.93	97.67
600.00	-
54.31	51.29
57.33	36.59
0.60	-
36.55	32.69
822.72	218.24

**24 Cost of food and beverages consumed**
**(a) Consumption of food & beverages excluding liquor & wine**

- Inventory at the beginning of the year
- Add: Purchases

- Less: Inventory at the end of the year
- Cost of food and beverage consumed

**(b) Consumption of liquor & wine**

- Inventory at the beginning of the year
- Add: Purchases

- Less: Inventory at the end of the year
- Cost of liquor and wine consumed

March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
100.07	77.17
3,188.02	3,173.32
3,288.09	3,250.49
102.47	100.07
3,185.62	3,150.42
115.86	77.49
343.05	349.10
458.91	426.59
111.86	115.86
347.05	310.73
3,532.67	3,461.15

**25 Employee Benefit Expense**

- Salaries, wages and bonus
- Contribution to provident fund and other funds
- Share based payments to employees
- Gratuity expense
- Leave compensation expenses
- Staff welfare expenses

**Total**

March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
7,998.47	7,121.83
322.28	296.15
114.13	148.74
50.24	43.55
35.17	17.68
1,168.63	921.15
9,688.92	8,549.10



**Lemon Tree Hotels Limited**
**Notes to Consolidated financial statements for the year ended March 31, 2017**
**26 Other Expenses**

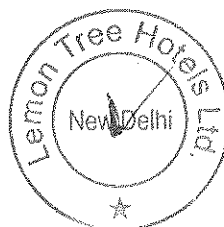
	March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
Consumption of stores, cutlery, crockery, linen, provisions and others	1,048.37	1,013.11
Lease rent	2,346.60	1,648.51
License fee	403.97	382.91
Power and fuel	3,840.87	3,702.18
Linen & uniform washing and laundry expenses	252.17	224.21
Guest transportation	882.20	891.41
Spa expenses	151.51	128.12
Subscription charges	99.52	92.69
Repair and maintenance		
- Buildings	633.68	535.88
- Plant and machinery	648.19	578.49
- Others	719.30	552.24
Rates and taxes	871.30	924.72
Insurance	96.63	92.46
Communication costs	828.71	867.65
Printing and stationery	220.49	200.92
Traveling and conveyance	206.41	243.56
Vehicle running and maintenance	172.23	176.43
Advertisement and business promotion	302.45	281.59
Commission -other than sole selling agent	556.89	370.21
Security and cleaning expenses	717.24	587.56
Membership and subscriptions	41.70	33.20
Legal and professional fees	857.91	680.49
Advances written off	5.19	215.67
Freight and cartage	15.35	19.89
Exchange difference (net)	-	0.31
Donations	8.93	15.37
Loss on sale of property, plant & equipment (net)	21.58	53.47
Provision for doubtful debts	22.44	12.09
Payment to auditor	83.90	85.66
Miscellaneous expenses	284.02	226.54
	<b>16,339.75</b>	<b>14,837.54</b>
<b>Payment to auditor</b>		
Audit fee	56.90	61.25
Other services	24.00	22.00
Reimbursement of expenses	3.00	2.41
	<b>83.90</b>	<b>85.66</b>

**27 Finance Costs**

	March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
Interest	6,223.17	5,324.11
- on term loans from banks	639.33	252.79
- on loans from financial institutions	7.81	796.55
- on loans from others	21.03	25.24
- on vehicle loans	475.01	465.86
- on other credit facilities from banks	2.95	1.96
- on income tax	4.08	2.89
- on others	42.23	1.59
Prepayment charges	341.80	331.38
Bank charges (including commission on credit card collection)		
	<b>7,757.41</b>	<b>7,202.37</b>

**28 Finance income**

	March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
Profit on sale of investment	26.55	170.53
Interest Income on :		
-Bank Deposits	81.96	79.14
-Interest on income tax refund	0.68	3.63



**Lemon Tree Hotels Limited**

**Notes to Consolidated financial statements for the year ended March 31, 2017**

-Others	237.81	111.16
Fair value loss on financial instruments at fair value through profit or loss	9.25	5.91
	<u>356.25</u>	<u>370.37</u>

**29 Depreciation and Amortization Expense**

	March 31, 2017 Rs. In lakhs	March 31, 2016 Rs. In lakhs
Depreciation of tangible assets	5,041.49	5,156.52
Amortization of intangible assets	55.36	65.15
Depreciation on investment properties	4.39	4.40
Total	<u>5,101.24</u>	<u>5,226.07</u>

**30 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 (after adjusting for interest on the convertible preference shares) 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 following reflects the income and share data used in the basic and diluted EPS computations:

	March 31, 2017	March 31, 2016
Profit/ (loss) attributable to equity holders (for basic and diluted)	(512.01)	(2,551.82)
Weighted Average Number of Equity Shares (for basic and diluted)*	781,213,033	778,041,131
Basic & Diluted EPS	(0.07)	(0.33)

\* The weighted average number of shares takes into account the weighted average effect of changes in share transactions during the year. There have been no other transactions involving Equity shares or potential Equity shares between the reporting date and the date of authorisation of these financial statements.



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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#### **31. 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:

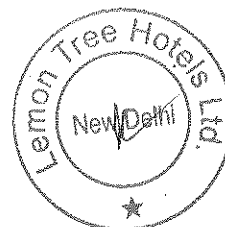
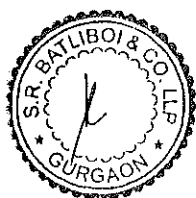
##### **Operating lease commitments – Group as lessee**

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 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.



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

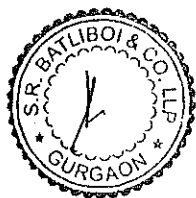
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#### **Fair value measurement of financial instruments**

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. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 35 for further disclosures.

#### **Taxes**

The management based on its assessment of the industry forecasts and current year profits is hopeful of generating future taxable profits to utilize deductible temporary differences, carry forward of unabsorbed depreciation. However, considering the 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 3,043.92 lakhs, Rs3,023.40 lakhs. and Rs2,447.21 lakhs as of March 31, 2017, March 31, 2016 and April 1, 2015 respectively.



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017****32. Group information**

The consolidated financial statements of the Group include subsidiaries listed in the table below:

**a) Subsidiaries under Direct Control**

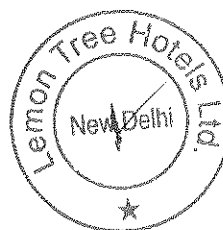
S. No.	Name of the Company	Principal activities	Country of Incorporation	% of equity interest		
				March 31, 2017	March 31, 2016	April 1, 2015
1.	Begonia Hotels Private Limited	Hotel Business	India	74.11%	74.11%	100%
2.	Carnation Hotels Private Limited	Hotel Business	India	100%	74.90%	74.90%
3.	Fleur Hotels Private Limited	Hotel Business	India	57.98%	57.98%	57.53%
4.	Dandelion Hotels Private Limited	Hotel Business	India	100%	100%	100%
5.	Lemon Tree Hotel Company Private Limited	Hotel Business	India	100%	100%	100%
6.	PSK Resorts & Hotels Private Limited	Hotel Business	India	100%	100%	100%
7.	Canary Hotels Private Limited	Hotel Business	India	100%	100%	100%
8.	Grey Fox Project Management Company Private Limited	Project management services	India	74.90%	74.90%	80%
9.	Nightingale Hotels Private Limited	Hotel Business	India	57.53%	57.53%	57.53%
10.	Oriole Dr Fresh Hotels Private Limited	Hotel Business	India	100%	100%	100%
11.	Red Fox Hotel Company Private Limited	Hotel Business	India	100%	100%	100%
12.	Sukhsagar Complexes Private Limited	Hotel Business	India	100%	100%	100%
13.	Manakin Resorts Private Limited (Subsidiary of PSK Resorts & Hotels Private Limited)	Hotel Business	India	10%	10%	10%
14.	Pelican Facilities Management Private Limited	Hotel Business	India	100%	100%	100%

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**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017****b) Subsidiaries under Indirect Control**

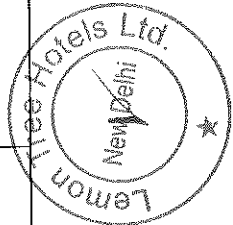
S. No.	Name of the Company	Principal activities	Country of Incorporation	% of equity interest		
				March 31, 2017	March 31, 2016	April 1, 2015
1.	Manakin Resorts Private Limited (Subsidiary of PSK Resorts & Hotels Private Limited)	Hotel Business	India	90%	90%	90%
2.	Celsia Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%	57.53%
3.	Inovia Hotels & Resorts Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%	57.53%
4.	IORA Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%	57.53%
5.	Hyacinth Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%	57.53%
6.	Bandhav Resorts Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	-	-
7.	Ophrys Hotels Private Limited (Subsidiary of Fleur Hotels Private Limited)	Hotel Business	India	57.98%	57.98%	57.53%
8.	Valerian Management Services Private Limited (Subsidiary of Grey Fox Project Management Company Private Limited)	Hotel Business	India	74.90%	74.90%	80%
9.	Meringue Hotels Private Limited (Subsidiary of Dandelion Hotels Private Limited)	Hotel Business	India	80%	80%	80%

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**Lemon Tree Hotels Limited**  
**Notes to consolidated financial statements for the year ended March 31, 2017**

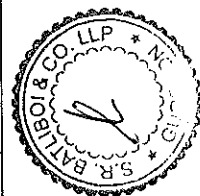
**c) Statutory Group Information**

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
<b>Parent</b>								
Lemon Tree Hotels Limited								
Balance as at 31 March, 2017	14.67%	18,148.42	377.48%	(1,932.76)	158.11%	11.85	380.74%	(1,920.91)
Balance as at 31 March, 2016	12.76%	15,760.05	140.67%	(3,589.78)	96.51%	5.57	140.78%	(3,584.21)
<b>Subsidiaries</b>								
1								
Fleur Hotels Private Limited								
Balance as at 31 March, 2017	0.80%	984.21	-131.59%	673.76	-4.55%	(0.34)	-133.48%	673.42
Balance as at 31 March, 2016	-2.85%	(3,522.08)	-20.68%	527.72	14.97%	0.86	-20.76%	528.59
2								
Celsia Hotels Private Limited								
Balance as at 31 March, 2017	-0.02%	(29.06)	-66.49%	340.43	0.18%	0.01	-67.48%	340.44
Balance as at 31 March, 2016	3.56%	4,392.87	-16.70%	426.10	-4.04%	(0.23)	-16.73%	425.86
3								
Mezereon Hotels LLP								
Balance as at 31 March, 2017	0.00%	0.91	0.01%	(0.05)	0.00%	-	0.01%	(0.05)
Balance as at 31 March, 2016	0.00%	0.96	0.00%	(0.04)	0.00%	-	0.00%	(0.04)
4								
Invoa Hotels & Resorts Limited								
Balance as at 31 March, 2017	1.99%	2,463.89	-23.95%	122.63	2.81%	0.21	-24.35%	122.84
Balance as at 31 March, 2016	4.96%	6,128.74	-5.96%	152.14	6.73%	0.39	-5.99%	152.53
5								
PSK Resorts & Hotels Private Limited								
Balance as at 31 March, 2017	0.00%	(0.60)	0.21%	(1.08)	0.00%	0.00	0.21%	(1.08)
Balance as at 31 March, 2016	0.00%	0.47	0.00%	(0.06)	0.00%	-	0.00%	(0.06)
6								
Manakin Resorts Private Limited								





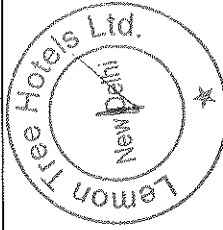
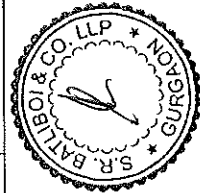
**Lemon Tree Hotels Limited**



# Lemon Tree Hotels Limited

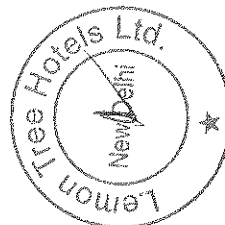
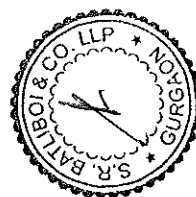
## Notes to consolidated financial statements for the year ended March 31, 2017

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
15								
Greyfox Project Management Company Private Limited								
Balance as at 31 March, 2017	0.08%	97.14	3.07%	(15.74)	4.37%	0.33	3.06%	(15.41)
Balance as at 31 March, 2016	0.12%	145.55	-1.78%	45.51	-5.30%	(0.31)	-1.78%	45.20
16								
Pelican Facilities Management Private Limited								
Balance as at 31 March, 2017	0.00%	0.52	0.03%	(0.16)	0.00%	0.00	0.03%	(0.16)
Balance as at 31 March, 2016	0.00%	0.68	0.01%	(0.16)	0.00%	0.00	0.01%	(0.16)
17								
Red Fox Hotel Company Private Limited								
Balance as at 31 March, 2017	0.00%	0.02	0.06%	(0.30)	0.00%	0.00	0.06%	(0.30)
Balance as at 31 March, 2016	0.00%	0.32	0.00%	0.11	0.00%	0.00	0.00%	0.11
18								
Lemon Tree Hotel Company Private Limited								
Balance as at 31 March, 2017	0.00%	1.63	0.04%	(0.19)	0.00%	0.00	0.04%	(0.19)
Balance as at 31 March, 2016	0.01%	13.27	0.02%	(0.41)	0.00%	0.00	0.02%	(0.41)
19								
Valerian Management Services Private Limited								
Balance as at 31 March, 2017	0.01%	10.75	3.52%	(18.03)	0.00%	0.00	3.57%	(18.03)
Balance as at 31 March, 2016	0.00%	(4.23)	1.68%	(42.88)	0.00%	0.00	1.68%	(42.88)
20								
IORA Hotels Private Limited								
Balance as at 31 March, 2017	16.11%	19,932.55	0.04%	(0.21)	0.00%	0.00	0.04%	(0.21)
Balance as at 31 March, 2016	15.61%	19,289.08	-0.61%	15.55	0.00%	0.00	-0.61%	15.55
21								
Ophrys Hotels Private Limited								
Balance as at 31 March, 2017	0.00%	1.38	0.05%	(0.24)	0.00%	0.00	0.05%	(0.24)
Balance as at 31 March, 2016	0.00%	0.12	0.00%	(0.02)	0.00%	0.00	0.00%	(0.02)
22								
Begonia Hotels Private Limited								
Balance as at 31 March, 2017	0.55%	674.72	-69.77%	357.25	8.95%	0.67	-70.94%	357.92



**Lemon Tree Hotels Limited**

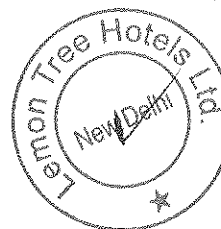
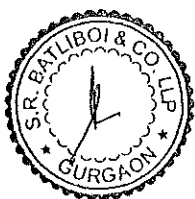
Name of the entity in the group	Net Assets, i.e., total assets minus total liabilities		Share in profit and loss		Share in other Comprehensive income		Share in total Comprehensive income
	As % of consolidated net assets	Rs in lakhs	As % of consolidated profit and loss	Rs in lakhs	As % of consolidated other comprehensive income	Rs in lakhs	
	0.53%	649.15	-6.32%	161.39	0.00%	0.00	-6.34%
23							
	1.15%	1,417.90	9.09%	(46.53)	0.00%	0.00	9.22%
	0.00%	-	0.00%	0.00	16.88%	0.97	-0.04%
<b>Non-controlling interests in all subsidiaries</b>							
	34.63%	42,836.28	-20.42%	104.56	203.01%	15.21	-23.74%
	34.62%	42,773.46	-5.49%	140.05	7.15%	0.41	-5.52%
<b>Total</b>	<b>100.00%</b>	<b>123,693.45</b>	<b>100.00%</b>	<b>(512.02)</b>	<b>100.00%</b>	<b>7.49</b>	<b>100.00%</b>
	<b>100.00%</b>	<b>123,558.39</b>	<b>100.00%</b>	<b>(2,551.82)</b>	<b>100.00%</b>	<b>5.77</b>	<b>100.00%</b>



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017****33. Gratuity and other post-employment benefit plans***Rs. In lakhs*

	March 31, 2017	March 31, 2016	April 1, 2015
Gratuity plan	171.54	143.99	116.00
<b>Total</b>	<b>171.54</b>	<b>143.99</b>	<b>116.00</b>

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 asset/ liability in the books of accounts on the basis of actuarial valuation as per the projected unit credit method.



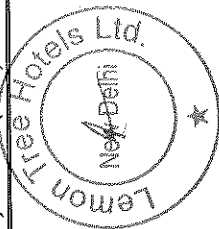
**Lemon Tree Hotels Limited**  
**Notes to consolidated financial statements for the year ended March 31, 2017**

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

Gratuity cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income					Rs. In lakhs		
April 1, 2016	Service cost	Net interest expense/income	Sub-total included in profit or loss (Note 25)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Remeasurement changes arising from demographic assumptions	Remeasurement changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	March 31, 2017
264.08	39.44	19.69	59.13	(11.52)	-	-	5.62	(15.75)	(10.13)	-	301.56
120.09	-	8.77	8.77	(7.59)	0.25	-	-	-	-	8.50	130.02
Benefit liability	143.99	39.44	50.36	(3.93)	(0.25)	-	5.62	(15.75)	(10.13)	(8.50)	171.54

Changes in the defined benefit obligation and fair value of plan assets as at March 31, 2016:

Gratuity cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income					Rs. In lakhs	
April 1, 2015	Service cost	Net interest expense/income	Sub-total included in profit or loss (Note 25)	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	March 31, 2016
Defined benefit obligation	239.31	31.20	18.59	49.78	(20.59)	-	2.73	(7.16)	(4.43)	-	264.08
Fair value of plan assets	123.31	-	9.61	9.61	(17.92)	0.29	-	-	-	4.79	120.09
Benefit liability	116.00	31.20	8.98	40.18	(2.67)	(0.29)	2.73	(7.78)	(4.43)	(4.79)	143.99



# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

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

	March 31, 2017	March 31, 2016	April 1, 2015
<b>Unquoted investments:</b>			
Asset invested in insurance scheme with the LIC	100%	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

	March 31, 2017	March 31, 2016	April 1, 2015
<b>Discount rate:</b>	%	%	%
Pension plan	6.50	7.30	7.80
<b>Future salary increases:</b>			
Pension plan	5.00	5.00	5.00
<b>Life expectation for pensioners at the age of 65:</b>	Years	Years	Years
<b>Pension plan</b>			
Male	60	60	60
Female	60	60	60

A quantitative sensitivity analysis for significant assumption as at March 31, 2017 is as shown below:

### India gratuity plan:

	March 31, 2017	March 31, 2017	March 31, 2017	March 31, 2017
	Discount rate		Future salary increases	
<b>Assumptions</b>				
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation	6.88	7.28	7.31	7.11
	March 31, 2016	March 31, 2016	March 31, 2016	March 31, 2016
<b>Assumptions</b>				
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation	6.35	6.60	6.88	6.62



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

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

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

Duration (Years)	Rs. in lakhs	
	For the year ended March 31, 2017	For the year ended March 31, 2016
1	82.48	71.88
2	127.83	58.66
3	32.29	91.04
4	28.07	22.88
5	22.52	19.20
Above 5	68.20	61.04
<b>Total expected payments</b>	<b>361.40</b>	<b>324.71</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 5 years (March 31, 2016: 5 years).

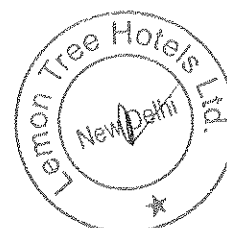
**34. Commitments and contingencies****a. Leases****Operating lease commitments — Group as lessee**

The Group has taken office premises and hotel properties 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, New Delhi and Chandigarh). The lease for hotel property at Indore, Aurangabad, Gurgaon, New Delhi and Chandigarh are non-cancellable for a period of twenty-nine, twenty-two, thirty and sixty years respectively.

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

Rs. in lakhs

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Lease Rent on Hotel Properties	2,117.62	1,701.39	1,518.26
Rent on Office Premises	36.81	25.17	20.77
Rent of staff hostel/Others	119.68	105.45	72.88
<b>Total</b>	<b>2,274.11</b>	<b>1,832.01</b>	<b>1,611.91</b>



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

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

*Rs. in lakhs*

Particulars	As at March 31, 2017	As at March 31, 2015	As at April 1, 2015
<b>Minimum Lease Payments :</b>			
Not later than one year	3,016.37	1,655.36	1,574.77
Later than one year but not later than five years	12,963.98	7,121.42	6,888.84
Later than five years	106,574.21	63,298.77	65,165.97
<b>Total</b>	<b>122,554.56</b>	<b>72,075.55</b>	<b>73,629.58</b>

**b. Commitments**

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

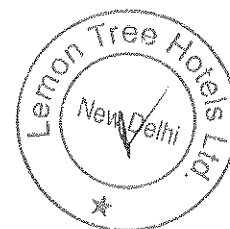
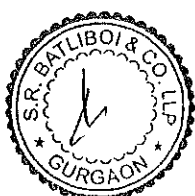
Estimated amount of contracts remaining to be executed and not provided for March 31, 2017 Rs.22,092.12 lakhs  
(March 31,2016 Rs. 11,090.84 lakhs, April 1,2015: Rs. 14,900.25 lakhs.)

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

*Rs. in lakhs*

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Counter Guarantees given in respect of guarantees issued by Company's Bankers	1,759.67	1,759.67	1,645.02
Differential amount of custom duty including interest on goods imported under EPCG Scheme	74.79	91.23	91.23
Service Tax Demand	113.94	113.94	102.38
Matter of service tax credit	200.78	200.78	287.20
Luxury tax	36.00	36.00	36.00
Vat Demands	51.40	51.40	45.49
Income tax Case AY 2011-12	7.19	7.19	7.19
Demand for entry tax 2010-11	-	-	2.50
Matters pending with consumer court	22.75	22.75	22.75
Property Tax Case 2010-11	69.34	-	-

The Group's pending litigations above pertains to proceedings pending with Income Tax, Excise, Custom, 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





## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

- (ii) During the previous years, the Company 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 Company 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 Company contested the matter and the Department pursuant to the response received from all the developers of area where the Company's project is located, and arguments thereon, passed a common order on July 14, 2014 ("Order") and subsequently, the Company 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 August 28, 2017. The Company, based on advice from legal experts, is of the view that there is no likelihood of any liability devolving on the Company on this ground and further, any liability cannot be ascertained at this stage requiring any adjustment in these consolidated financial statements.
- (iii) 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. 68.20 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.



**Lemon Tree Hotels Limited**  
**Notes to consolidated financial statements for the year ended March 31, 2017**

**35. Employee Stock Option Plans:**

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

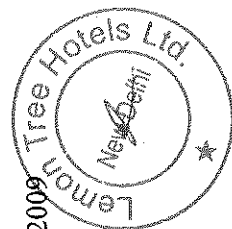
The Group has provided various share-based payment schemes to its employees. During the year ended March 31, 2016 the following schemes were in operation:

	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
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	12,762,207
Method of Settlement	Equity	Equity
Vesting Period	12-48 months	12-48 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%

\* All ESOPs under ESOP Plan 2006 are granted as per general vesting schedule defined in the scheme except for ESOP's granted on 12<sup>th</sup> January 2009

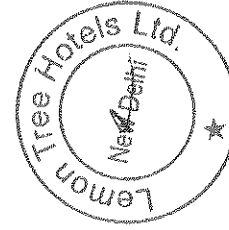
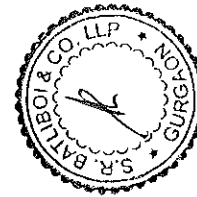


**Lemon Tree Hotels Limited**  
**Notes to consolidated financial statements for the year ended March 31, 2017**

and 328,008 ESOP's granted on April 1, 2012 for which specific vesting schedule was decided.

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

	2016-17		2015-16		2014-15	
	Number of options	Weighted average exercise price (Rs.)	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	9,000	3.38	1,500	20.25
Granted during the year	-	-	-	-	-	-
Bonus issued during the year	-	-	-	-	7,500	-
Forfeited during the year	9,000	3.38	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at the end of the year	-	-	9,000	3.38	9,000*	3.38*
Exercisable at the end of the year	-	-	-	-	-	-
Weighted average remaining contractual life (in years)	-	-	1.00	-	1.00	-
Weighted average fair value of options granted during the year	-	-	-	-	-	-



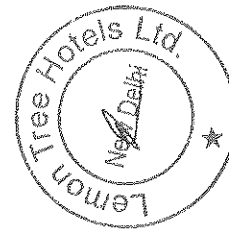
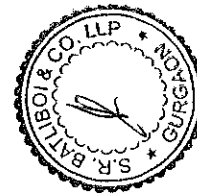
# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

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

	2015-16			2015-16			2014-15		
	Number of Options	Weighted Average Exercise Price(Rs.)	Number of Options	Weighted Average Exercise Price(Rs.)	Number of Options	Weighted Average Exercise Price(Rs.)	Number of Options	Weighted Average Exercise Price(Rs.)	Number of Options
Outstanding at the beginning of the year	11,069,974	19.26	3,456,282	14.65	710,494	90.73			
Granted during the year	-	-	8,205,000	21.50	-	-			
Bonus issued during the year	-	-	-	-	3,495,047*	-			
Forfeited during the year	383,394	20.84	171,769	18.10	691,836	18.03			
Exercised during the year	2,871,902	15.74	419,539	12.94	57,423	20.56			
Expired during the year	-	-	-	-	-	-			
Outstanding at the end of the year	7,814,678	20.53	11,069,974	19.26	3,456,282	14.65			
Exercisable at the end of the year	2,341,593	20.32	3,685,476	16.19	2,071,607	14.32			
Weighted average remaining contractual life (in years)	2.60	-	3.46	-	3.42	-			
Weighted average fair value of options granted during the year	-	-	-	-	-	-			

\*During the year 2014-15, the Group has issued equity shares twice as bonus issue in the proportion of 2 equity shares for every 1 fully paid up equity share and 1 equity share for every 1 fully paid up equity share respectively. As per the aforesaid plan, the number of options not yet vested as on the balance sheet date has been accordingly increased and weighted average exercise price has been accordingly decreased.



## Lemon Tree Hotels Limited

### Notes to consolidated financial statements for the year ended March 31, 2017

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

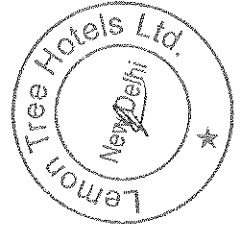
	Range of exercise prices (Rs.)			Number of options outstanding			Weighted average remaining contractual life of options (in years)			Weighted average exercise price (Rs.)		
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015
Plan 1	-	3.38	3.38	-	9,000	9,000	-	1	1	-	3.38	3.38
Plan 2	10.00-21.50	10.00-16.50	2.93-20.56	7,814,678	11,069,974	3,456,282	2.60	3.46	3.42	15.74	12.94	20.56

#### Stock Options granted

The weighted average fair value of stock options granted during the year was Rs Nil (Previous year 4.78). The Black Scholes model has been used for computing the weighted average fair value considering the following inputs:

	Plan 1 (2005)			Plan 2 (2006)		
	2017	2016	2015	2017	2016	2015
Weighted average share price	-	-	-	-	-	16.50
Exercise Price	-	-	-	-	-	21.50
Volatility	-	-	-	-	-	34%
Life of the options granted in years	-	-	-	-	-	5
Expected dividends	-	-	-	-	-	-
Average risk-free interest rate	-	-	-	-	-	7.99%
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, 2017

#### 36. Related Party Transactions

a) Names of related parties where control exists irrespective of whether transactions have occurred or not

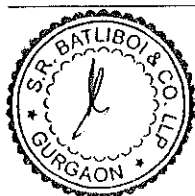
a) Names of other related parties with whom transactions have taken place during the year

##### Key Management Personnel

- Mr. Patanjali Govind Keswani (Chairman and Managing Director)
- Mrs. Sharanita Keswani relative of Mr. Aditya Madhav Keswani - Director (upto February 19, 2015)
- Rahul Pandit - President & Executive Director (Upto May 8, 2015)
- Rattan Keswani (Deputy Managing Director)
- Mr. Sanjeev Kaul Duggal (Independent Director)
- Mr. Gopal Sitaram Jiwarajka (Independent Director)

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

- Mr. Ravi Kant Jaipuria (Director)
- Mr. Niten Malhan (Director)
- Mr. Sachin Doshi (Director)
- Ms. Ila Dubey (Director)
- Mr. Aditya Madhav Keswani (Director)
- Bhushan Arora (Director of Oriole Dr. Fresh Hotels Private Limited) (up to August 19, 2014)
- Rattan Keswani (Whole Time Director of Carnation Hotels Private Limited) (From July 1, 2015)
- J. K. Chawla (Individual having significant influence in Grey Fox Project Management Company Private Limited)
- Mr. Alok Ranjan (Director of Valerian Management Services Private Limited)
- Mr. Rajesh Kumar (Whole Time Director of Canary Hotels Private Limited) (From June 1, 2015)
- Mr. Sumant Jaidka (Whole Time Director of Inova Hotels & Resorts Limited) (From June 1, 2015)
- Mr. Rajeev Janveja (Whole Time Director of Nightingale Hotels Private Limited) (From November 5, 2015)
- Mr. Tarun Lakhanpal (Whole Time Director of Oriole Dr. Fresh Hotels Private Limited) (Upto July 17, 2015)
- Ms. Natasha Yashpal (Whole Time Director of Oriole Dr. Fresh Hotels Private Limited) (From January 1, 2016)



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

Relatives of key management personnel

-Mrs. SharanitaKeswani relative of Mr. AdityaMadhavKeswani

Enterprises owned or significantly influenced by key management personnel or their relatives

- Buzzard Real Estates Private Limited
- Crow Real Estates Private Limited
- Myna Real Estates Private Limited
- Unistar Hotels Private Limited
- Vulture Management Services Private Limited
- Sparrow Buildwell Private Limited
- Garnet Hotels Private Limited
- Pony Tale Hotels Private Limited
- Spank Management Services Private Limited
- Toucan Real Estates Private Limited
- Headstart Institute Private Limited
- Aster Hotels and Resorts Private Limited

c) 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

: Mrs. Suman Singh(Upto 30 June 2016)

: Mr. Nikhil Sethi(W.e.f 12 December 2016)



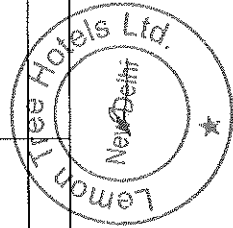
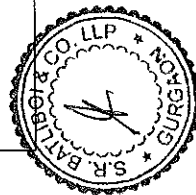
# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

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
Reimbursement of Expenses done on behalf of party					
Spank Management Services Private Limited	31-Mar-17	-	-	-	0.17
	31-Mar-16	-	-	-	-
Loans (given)					
Mr. Rajesh Kumar	31-Mar-17	-	-	-	-
	31-Mar-16	-	-	18.50	-
	1-Apr-15	-	-	-	-
Interest Received (gross)					
Mr. JK Chawla	31-Mar-17	-	-	0.80	-
	31-Mar-16	-	-	1.04	-
Mr, Rajesh Kumar	31-Mar-17	-	-	0.21	-
	31-Mar-16	-	-	0.07	-

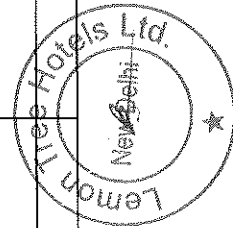
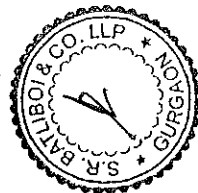




# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

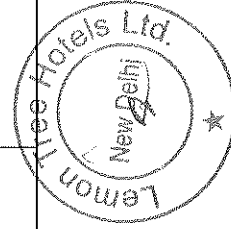
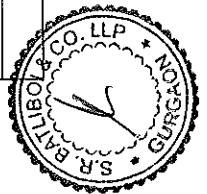
Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his 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
<b>Repayment of Loan Given</b>					
JK Chawla	31-Mar-17	-	-	12.00	-
	31-Mar-16	-	-	12.00	-
	01-Apr-15	-	-	12.00	-
<b>Mr. Rajesh Kumar</b>	31-Mar-17	-	-	8.25	-
	31-Mar-16	-	-	-	-
	01-Apr-15	-	-	-	-
<b>Services obtained</b>					
Spank Management Services Private Limited	31-Mar-17	-	-	-	1,285.15
	31-Mar-16	-	-	-	384.55
<b>Capital Advances</b>					
Toucan Real Estate Private Limited	31-Mar-17	-	-	-	3,624.52
	31-Mar-16	-	-	-	1,882.56
	1-Apr-15	-	-	-	2,760.57
<b>Remuneration paid*</b>					
Mr. Patanjali G Keswani	31-Mar-17	332.00	-	-	-



# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

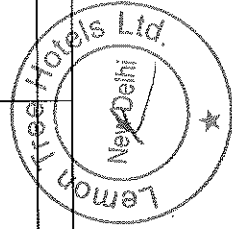
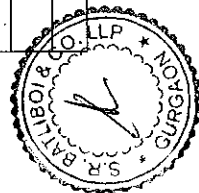
Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his dealings with the Company)	Key Management Personnel (Managing Director, Whole time director, manager and other managerial) of Subsidiaries	Enterprises owned or significantly influenced by key management personnel or their relatives
	31-Mar-16	348.34	-	-	-
Mr. Rattan Keswani	31-Mar-17	20.22	-	193.54	-
	31-Mar-16	130.67	-	85.50	-
Mr. JK Chawla	31-Mar-17	-	-	112.12	-
	31-Mar-16	-	-	111.41	-
Mr. Rahul Pandit	31-Mar-17	-	-	-	-
	31-Mar-16	14.08	-	-	-
Mr. Sumant Jaidka	31-Mar-17	-	-	45.47	-
	31-Mar-16	-	-	31.56	-
Mr. Alok Ranjan	31-Mar-17	-	-	38.55	-
	31-Mar-16	-	-	95.82	-
Mr. Rajesh Kumar	31-Mar-17	-	-	35.81	-
	31-Mar-16	-	-	22.69	-
Mr. Rajeev Janveja	31-Mar-17	-	-	37.10	-
	31-Mar-16	-	-	14.57	-



# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

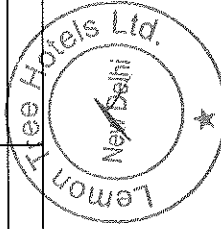
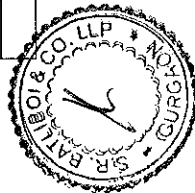
Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his 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
Mr. Kapil Sharma	31-Mar-17	65.28	-	-	-
	31-Mar-16	60.23	-	-	-
Others	31-Mar-17	13.48	-	34.71	-
	31-Mar-16	15.23	-	25.72	-
<b>Fees for professional services</b>					
Mrs. Sharanita Keswani	31-Mar-17	-	42.00	-	-
	31-Mar-16	-	43.58	-	-
<b>Balances outstanding at the year end - Trade Payable/Other Current Liabilities</b>					
Toucan Real Estates Private Limited	31-Mar-17	-	-	-	-
	31-Mar-16	-	-	-	96.71
	01-Apr-15	-	-	-	34.88
Rattan Keswani	31-Mar-17	-	-	3.26	-
	31-Mar-16	-	-	13.42	-
	01-Apr-15	2.71	-	-	-



# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

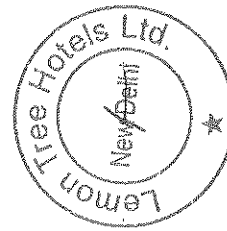
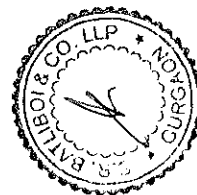
Transactions with Related Party	Year Ended	Key Management Personnel (Managing Director, Whole time director, manager and other managerial personnel)	Relatives of Key Management Personnel (Spouse, son, daughter, brother, sister, father, mother who may influence or be influenced by such personnel in his 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
SumantJaidka	31-Mar-17	-	-	3.48	-
	31-Mar-16	-	-	1.48	-
	01-Apr-15	-	-	-	-
JK Chawla	31-Mar-17		-	3.16	-
	31-Mar-16	-	-	1.44	-
	01-Apr-15	-	-	-	-
SharanitaKeswani	31-Mar-17	-	3.68	-	-
	31-Mar-16	-	-	-	-
	01-Apr-15	-	-	-	-
Others	31-Mar-17	0.61	-	1.36	-
	31-Mar-16	-	-	5.13	-
	01-Apr-15	-	-	1.88	-
<b>Balances outstanding at the year end - Loans &amp; Advances</b>					
Rajesh Kumar	31-Mar-17	-	-	10.25	-
	31-Mar-16	-	-	18.50	-
	01-Apr-15	-	-	-	-
JK Chawla	31-Mar-17	-	-	40.00	-
	31-Mar-16	-	-	52.00	-
	01-Apr-15	-	-	64.37	-



# Lemon Tree Hotels Limited

## Notes to consolidated financial statements for the year ended March 31, 2017

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
Balances outstanding at the year end - Borrowings					
Hiten V Parekh	31-Mar-17	-	-	759.00	-
	31-Mar-16	-	-	759.00	-
	01-Apr-15	-	-	759.00	-
Nayan S Parekh	31-Mar-17	-	-	1,012.00	-
	31-Mar-16	-	-	1,012.00	-
	01-Apr-15	-	-	1,012.00	-



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017****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, 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2016: Rs Nil, April 1, 2015: RsNil). 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**

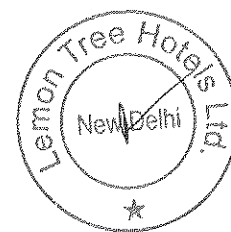
The Group has not entered into any commitments with related parties during the year.

**37. Fair value measurement****a. Financial assets**

*Rs. in lakhs*

	March 31, 2017		March 31, 2016		April 1, 2015	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost	FVTPL	Amortised Cost
<b>Financial Assets</b>						
Trade Receivables	-	3,144.53	-	2,448.54	-	1,790.54
Investments	634.15	-	577.70	-	3,124.74	-
Security Deposits	-	2,933.75	-	2,558.57	-	1,813.10
Other bank balances	-	790.93	-	772.03	-	742.27
Cash and Cash Equivalents	-	1,759.21	-	1,380.65	-	3,003.67
Interest accrued on deposit with banks	-	276.58	-	144.38	-	153.09
Loans	-	1,132.46	-	897.89	-	1,004.21
Other amount recoverable	-	0.41	-	2.88	-	17.24
<b>Total Financial Assets</b>	<b>634.15</b>	<b>10,037.86</b>	<b>577.70</b>	<b>8,204.93</b>	<b>3,124.74</b>	<b>8,524.13</b>

	March 31, 2017		March 31, 2016		April 1, 2015	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost	FVTPL	Amortised Cost
<b>Financial Liabilities</b>						
Borrowings	-	75,816.24	-	59,322.14	-	55,353.13
Trade Payables	-	6,044.49	-	5,171.93	-	3,392.93
Other Financial Liabilities	-	10,632.32	-	8,677.19	-	5,777.69
<b>Total Financial Liabilities</b>	<b>-</b>	<b>92,493.05</b>	<b>-</b>	<b>73,171.27</b>	<b>-</b>	<b>64,523.74</b>



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

Note: The financial assets above do not include investments in subsidiaries 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, 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial investments as FVTPL</b>				
Unquoted equity instruments	633.89		0.26	634.15

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial investments as FVTPL</b>				
Unquoted equity instruments	576.57	-	0.26	576.83



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

	April 1, 2015			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial investments as FVTPL</b>				
Unquoted equity instruments	3,123.64	-	0.26	3,123.90

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

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

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

- The fair values of the unquoted equity shares have been estimated using a DCF model. 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

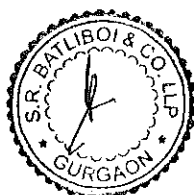
**38. Financial risk management objectives and policies**

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 is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. This financial risk committee provides assurance to the Group's senior management that 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, 2017****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, 2017	March 31, 2016	April 1, 2015
Variable rate borrowings	72,887.04	55,331.10	50,112.66
Fixed rate borrowings	6,979.78	7,148.29	6,992.07

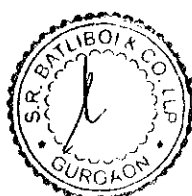
**Interest rate sensitivity**

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

	Increase/decrease in basis points	Effect on profit before tax
		<i>Rs. In lakhs</i>
<b>31-Mar-17</b>		
INR	50	324.77
INR	-50	(324.77)
<b>31-Mar-16</b>		
INR	50	285.57
INR	-50	(285.57)

**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.



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017****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.

**(a) Trade receivables**

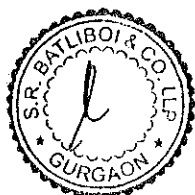
Customer credit risk is managed by each business location subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with the assessment both in terms of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

	<i>Rs. in lakhs</i>		
<b>Ageing</b>	<b>31-Mar-17</b>	<b>31-Mar-16</b>	<b>01-Apr-15</b>
Not due	44.18	47.17	30.85
0-60 days past due	2,103.89	1,325.09	1,074.56
61-120 days past due	397.34	518.14	324.01
121-180 days past due	170.15	256.43	185.94
180-365 days past due	278.25	173.08	136.84
365-730 days past due	112.16	82.03	27.46
more than 730 days	38.56	46.60	10.87

**Provision for doubtful debts (including provision for expected credit loss)**

	<i>Rs. In lakhs</i>		
<b>Ageing</b>	<b>31-Mar-17</b>	<b>31-Mar-16</b>	<b>01-Apr-15</b>
Not due	-	-	-
0-60 days past due	10.66	7.26	5.08
61-120 days past due	-	-	-
121-180 days past due	-	-	-
180-365 days past due	4.94	-	2.32
More than 365 days	21.05	23.84	26.19



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017****Reconciliation of provision for doubtful debts - Trade receivables (including provision for expected credit loss)**

	31-Mar-17	31-Mar-16	01-Apr-15
Provision at beginning	31.10	33.60	28.52
Addition during the year	11.69	14.39	5.08
Reversal during the year	2.04	-	-
Utilised during the year	4.11	16.89	-
Provision at closing	36.65	31.10	33.60

**Reconciliation of provision for doubtful debts - Loans and deposits**

	31-Mar-17	31-Mar-16	01-Apr-15
Provision at beginning	-	-	-
Addition during the year	-	-	-
Reversal during the year	-	-	-
Utilised during the year	-	-	-
Provision at closing	-	-	-

**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.



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

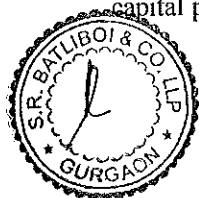
The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Rs. in lakhs					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
<b>Year ended March 31, 2017</b>						
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	6,044.49	-	-	-	-	6,044.49
Other Financial Liabilities	6,581.74	-	-	-	-	6,581.74
	<b>19,372.21</b>	<b>420.45</b>	<b>3,538.38</b>	<b>33,123.14</b>	<b>36,038.88</b>	<b>92,493.05</b>
<b>Year ended March 31, 2016</b>						
Borrowings (other than convertible preference shares)	6,949.19	403.93	2,876.16	24,838.74	27,411.37	62,479.39
Trade and other payables	5,171.93	-	-	-	-	5,171.93
Other Financial Liabilities	5,519.95	-	-	-	-	5,519.95
	<b>17,641.07</b>	<b>403.93</b>	<b>2,876.16</b>	<b>24,838.74</b>	<b>27,411.37</b>	<b>73,171.27</b>
<b>As at April 1, 2015</b>						
Borrowings (other than convertible preference shares)	6,693.67	192.53	1,558.68	19,097.47	29,562.39	57,104.73
Trade and other payables	3,392.93	-	-	-	-	3,392.93
Other Financial Liabilities	4,026.08	-	-	-	-	4,026.08
	<b>14,112.68</b>	<b>192.53</b>	<b>1,558.68</b>	<b>19,097.47</b>	<b>29,562.39</b>	<b>64,523.74</b>

**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



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

payables, less cash and cash equivalents.

	31 March 2017	31 March 2016	<i>Rs. In lakhs</i> 1 April 2015
Borrowings (other than preference share)	75,816.24	59,322.14	55,353.13
Trade payables (Note 19)	6,044.49	5,171.93	3,392.93
Less: cash and cash equivalents (Note 10)	1,759.21	1,380.65	3,003.67
<b>Net debt</b>	<b>80,101.52</b>	<b>63,113.42</b>	<b>55,742.38</b>
 Total capital	 123,010.17	 123,548.53	 123,036.72
<b>Capital and net debt</b>	<b>203,111.69</b>	<b>186,661.95</b>	<b>178,779.09</b>
 Gearing ratio	 39%	 34%	 31%

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 years ended 31 March 2017 and 31 March 2016.

**40. First-time adoption of Ind AS**

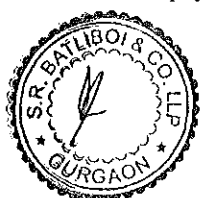
These consolidated financial statements, for the year ended 31 March 2017, are the first the Group has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2016, the Group prepared its consolidated financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Group has prepared consolidated financial statements which comply with Ind AS applicable for periods ending on 31 March 2017, together with the comparative period data as at and for the year ended 31 March 2016, as described in the summary of significant accounting policies. In preparing these consolidated financial statements, the Group's opening balance sheet was prepared as at 1 April 2015, the Group's date of transition to Ind AS. This note explains the principal adjustments made by the Group in restating its Indian GAAP consolidated financial statements, including the balance sheet as at 1 April 2015 and the consolidated financial statements as at and for the year ended 31 March 2016.

**Exemptions applied**

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions:

- Property Plant & Equipment, Intangible assets and Investment property - As permitted by IND AS 101, the Group has elected to continue with the carrying values under previous GAAP for all the items of property, plant & equipment. The Same selection has been made in respect of Intangibles Assets and investment property. The Carrying value of property plant and equipment as aforesaid are after making adjustments relating to decommissioning liabilities
- Ind AS 102 Share-based Payment has not been applied to equity instruments in share-based payment transactions that vested before 1 April 2015.



**Lemon Tree Hotels Limited**

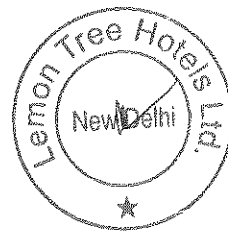
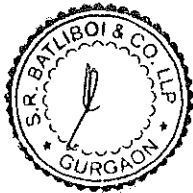
**Notes to consolidated financial statements for the year ended March 31, 2017**

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- Determining whether an arrangement contain a lease:- Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Group has used Ind AS 101 exemption and assessed all arrangements based for embedded leases based on conditions in place as at the date of transition.

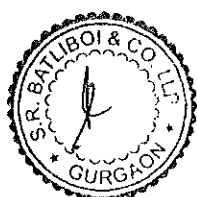
**Estimates**

The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from impairment of financial assets based on expected credit loss model where application of Indian GAAP did not require estimation.



**Lemon Tree Hotels Limited**
**Notes to consolidated financial statements for the year ended March 31, 2017**
**Reconciliation of equity as at March 31, 2016 and April 1, 2015 (date of transition to Ind AS)**
*Rs. in lakhs*

	Note No.	31-Mar-16			01-Apr-15		
		Indian GAAP	Adjustment	Ind AS	Indian GAAP	Adjustment	Ind AS
<b>ASSETS</b>							
<b>Non-current assets</b>							
(a) Property, plant and equipment		123,033.71	(278.56)	122,755.15	123,461.70	(258.89)	123,202.81
(b) Capital work-in-progress		24,778.77	1,145.91	25,924.68	16,572.63	139.43	16,712.06
(c) Investment Property		-	254.49	254.49	-	258.89	258.89
(c) Intangible assets		133.11	-	133.11	163.14	-	163.14
(e) Intangible assets under development							
(d) Financial assets							
(i) Investments	I	0.81	0.33	1.14	0.81	0.30	1.11
(ii) Loans	I	907.30	(145.67)	761.63	1,218.51	(293.97)	924.54
(iii) Other financial assets	I	26,534.76	(23,042.91)	3,491.85	19,826.07	(17,145.15)	2,680.92
(iii) Dues from Related Parties							
(g) Deferred tax assets (net)							
(h) Other non-current assets		18,939.24	21,113.07	40,052.31	19,945.19	16,207.44	36,152.63
		<b>194,327.70</b>	<b>(953.34)</b>	<b>193,374.36</b>	<b>181,188.05</b>	<b>(1,091.95)</b>	<b>180,096.10</b>
<b>Current assets</b>							
(a) Inventories		538.51	-	538.51	480.76	-	480.76
(b) Financial assets							
(i) Trade receivables		2,434.65	13.89	2,448.54	1,782.65	7.89	1,790.54
(ii) Cash and Cash equivalents	IV	1,375.59	5.06	1,380.65	3,003.55	0.12	3,003.67
(iii) Investments		568.90	7.66	576.56	2,983.07	140.56	3,123.63
(iv) Other financial assets		166.35	(108.51)	57.84	171.40	(140.08)	31.32
(iv) Loans		70.50	(6.04)	64.46	64.00	15.67	79.67
(v) Dues from related parties							
(c) Other current assets		2,067.55	(64.80)	2,002.75	1,089.86	(120.36)	969.50
		<b>7,222.05</b>	<b>(152.74)</b>	<b>7,069.31</b>	<b>9,575.29</b>	<b>(96.20)</b>	<b>9,479.09</b>
<b>Total Assets</b>		<b>201,549.75</b>	<b>(1,106.08)</b>	<b>200,443.67</b>	<b>190,763.34</b>	<b>(1,188.15)</b>	<b>189,575.19</b>



**Lemon Tree Hotels Limited**
**Notes to consolidated financial statements for the year ended March 31, 2017**
*Rs. in lakhs*

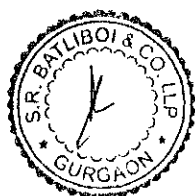
	Note No.	31-Mar-16			01-Apr-15		
		Indian GAAP	Adjustment	Ind AS	Indian GAAP	Adjustment	Ind AS
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
(a) Equity Share capital	IV	77,810.22	(6.11)	77,804.11	77,648.68	(6.11)	77,642.57
(b) Other Equity		5,027.45	(2,046.63)	2,980.82	4,537.27	(1,794.28)	2,742.99
Equity attributable to equity holders of the parent		82,837.67	(2,052.74)	80,784.93	82,185.94	(1,800.38)	80,385.56
Non-controlling interests		43,392.43	(618.97)	42,773.46	42,763.54	(536.44)	42,227.10
<b>Total Equity</b>		<b>126,230.10</b>	<b>(2,671.71)</b>	<b>123,558.39</b>	<b>124,949.48</b>	<b>(2,336.82)</b>	<b>122,612.66</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
(a) Financial liabilities							
(i) Borrowings	II	55,084.26	(2,711.30)	52,372.96	51,268.15	(2,608.70)	48,659.45
(ii) Other financial liabilities		144.80	-	144.80	145.78	-	145.78
Long term provisions		118.94	-	118.94	94.87	-	94.87
Deferred tax liabilities (net)		260.14	428.81	688.95	67.24	471.87	539.11
Deferred revenue							
Other non-current liabilities	III	115.88	1,318.11	1,433.99	64.80	755.49	820.29
		<b>55,724.02</b>	<b>(964.38)</b>	<b>54,759.64</b>	<b>51,640.84</b>	<b>(1,381.34)</b>	<b>50,259.50</b>
<b>Current liabilities</b>							
(a) Financial liabilities							
(i) Borrowings		4,419.18	2,530.01	6,949.19	4,163.66	2,530.01	6,693.67
(ii) Trade payables		5,171.95	-	5,171.95	3,392.93	-	3,392.93
(iii) Other financial liabilities		8,532.39	-	8,532.39	5,631.91	-	5,631.91
(b) Other current liabilities		1,292.93	6.73	1,299.66	854.73	18.19	872.92
(c) Provisions		179.18	(6.73)	172.45	128.72	(18.19)	110.53
(d) Current tax liabilities (net)		-	-	-	1.07	-	1.07
		<b>19,595.63</b>	<b>2,530.01</b>	<b>22,125.64</b>	<b>14,173.02</b>	<b>2,530.01</b>	<b>16,703.03</b>
<b>Total Liabilities</b>		<b>75,319.65</b>	<b>1,565.63</b>	<b>76,885.28</b>	<b>65,813.86</b>	<b>1,148.67</b>	<b>66,962.53</b>
<b>Total Equity and Liabilities</b>		<b>201,549.75</b>	<b>(1,106.08)</b>	<b>200,443.67</b>	<b>190,763.34</b>	<b>(1,188.15)</b>	<b>189,575.19</b>





**Lemon Tree Hotels Limited**
**Notes to consolidated financial statements for the year ended March 31, 2017**
**Group reconciliation of profit or loss for the year ended March 31, 2016**
*Rs. in lakhs*

Particulars	Indian GAAP Rs.	Adjustments Rs.	Ind AS Rs.
Revenue From Operations	36,786.10	9.15	36,795.24
Other Income	529.88	(311.64)	218.24
<b>Total Income</b>	<b>37,315.98</b>	<b>(302.49)</b>	<b>37,013.49</b>
<b>Expenses</b>			
Cost of materials consumed	3,461.15	-	3,461.15
Employee benefits expense	8,425.41	123.69	8,549.10
Other expenses	14,434.58	402.96	14,837.54
<b>Total expenses</b>	<b>26,321.14</b>	<b>526.65</b>	<b>26,847.79</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>10,994.84</b>	<b>(829.14)</b>	<b>10,165.70</b>
Finance costs	7,222.65	(20.28)	7,202.37
Finance income	(97.17)	(273.21)	(370.37)
Depreciation and amortization expense	5,226.13	(0.06)	5,226.07
<b>Profit/(loss) before tax</b>	<b>(1,356.77)</b>	<b>(535.59)</b>	<b>(1,892.37)</b>
Tax expense:			
(1) Current tax (MAT)	510.97	(402.24)	108.72
(2) Minimum Alternate tax (MAT)	(375.13)	531.70	156.57
(3) Adjustment of tax relating to earlier periods	(577.46)	575.52	(1.94)
(4) Deferred tax	1,146.82	(750.71)	396.11
	<b>705.20</b>	<b>(45.73)</b>	<b>659.46</b>
<b>Profit/ (loss) for the period</b>	<b>(2,061.96)</b>	<b>(489.85)</b>	<b>(2,551.82)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	-	5.77	5.77
<b>Total Comprehensive Income for the year</b>	<b>(2,061.96)</b>	<b>(484.08)</b>	<b>(2,546.05)</b>
<b>Profit/ (loss) for the year</b>	<b>(2,061.97)</b>	<b>(489.86)</b>	<b>(2,551.82)</b>
Attributable to:	-	-	-
Equity holders of the parent	(2,290.64)	(401.24)	(2,691.88)
Non-controlling interests	228.67	(88.62)	140.06
	-	-	-
<b>Total comprehensive income for the year</b>	<b>(2,061.97)</b>	<b>(484.09)</b>	<b>(2,546.05)</b>
Attributable to:	-	-	-
Equity holders of the parent	(2,290.64)	(395.88)	(2,686.52)
Non-controlling interests	228.67	(88.21)	140.47



## **Lemon Tree Hotels Limited**

### **Notes to consolidated financial statements for the year ended March 31, 2017**

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Footnotes to the reconciliation of equity as at April 1, 2015 and March 31, 2016 and profit or loss for the year ended March 31, 2016

#### **I. Financial Assets**

- Based on Ind AS - 109, financial Assets in the form of long term interest free deposits to landlords and loans to employees have been accounted at fair value on the date of transition and subsequently measured at amortized cost using the effective interest rate method.
- Under Indian GAAP, the Company had created provision for impairment of receivables consists only in respect of specific amount for incurred losses. Under Ind AS, impairment allowance has been determined based on Expected Loss model (ECL).

#### **II. Financial Liability**

- Under Indian GAAP, transaction costs incurred in connection with borrowings are amortised upfront and charged to profit or loss for the period. Under Ind AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method.

#### **III. Lease equalisation**

As per Ind-AS 17, Operating lease includes land leases and 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.

#### **IV. ESOP Trust**

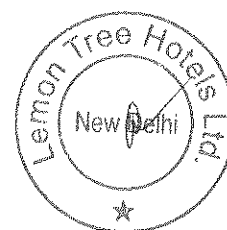
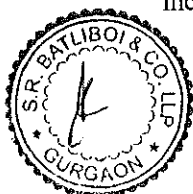
Considering the guidance given in Ind AS 110, the ESOP trust has been included as part of standalone financials statements of the Company.

#### **V. Deferred tax**

Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. In addition, the various transitional adjustments lead to temporary differences.

#### **VI. Defined benefit liabilities**

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, 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



**Lemon Tree Hotels Limited**

**Notes to consolidated financial statements for the year ended March 31, 2017**

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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.

**VII. Share based payments**

Under Indian GAAP, the cost of equity-settled transactions is measured using the intrinsic value method. Ind AS 102 requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period.

**VIII. Other comprehensive income**

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or profit or loss as per Ind AS.

**IX. Statement of cash flows**

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

**41. 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

42. 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 Company 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, 2016: Rs. 522.61 lakhs) has been shown in Note 8 & 11 as 'Prepaid conversion charges.'



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

- 43.a During the previous year, the shareholding of M/s APG Strategic Real Estate Pool N.V. ('the investor') in Fleur Hotels Private Limited (along with its subsidiaries) were reduced to 42.02% from earlier 42.47% and the Company had recognized deemed disposal gain of Rs. 407.35 lakhs (net of proportionate reduction in goodwill on deemed disposal of Rs. 12.18 lakhs) of the aforesaid change in shareholding as an equity transaction. As per the Shareholder's agreement, all new hotel projects will first be offered to Fleur Hotels Private Limited. There are no other significant commitments to the investor.
- b. During the Previous year, the above said investor had also acquired 25.89% stake of Begonia Hotels Private Limited (another subsidiary Company). The Company had recognized deemed disposal gain of Rs. 2,278.73 lakhs as an equity transaction due to change in shareholding in subsidiary without loss of control.
- c. During theyear, the Company has acquired 25.10% additional stake of Carnation Hotels Private Limited (a subsidiary Company). The Company had recognized gain of Rs. 54.61 lakhs as an equity transaction due to change in shareholding in existing subsidiary.

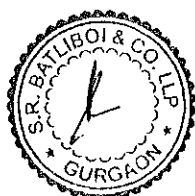
**44. Business combination**

During the year, on 13<sup>th</sup> 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 has 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 INR 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:

Particulars	Fair value of assets and liabilities (Rs. In lakhs)
Property plant & equipment	522.90
Other Non-current assets	18.01
Other non-financial assets	0.71
Cash and short term deposits	2.69
<b>Total assets (A)</b>	<b>544.32</b>
Interest-bearing loans and borrowings	364.86
Other non-financial liabilities	18.84
<b>Total liabilities (B)</b>	<b>383.70</b>
<b>Net asset taken over (A-B)</b>	<b>160.62</b>
<b>Amount paid</b>	<b>834.04</b>
<b>Goodwill</b>	<b>673.42</b>

Cash acquired on acquisition	2.69
Cash paid	834.04
<b>Net cash on acquisition</b>	<b>831.35</b>



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017**

45. 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. Accordingly the building is depreciated over the estimated useful life of 22 years after reducing the expected residual value as contractually recoverable from DIAL in case the agreement is not extended.
46. 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. 3519.39 lakhs (including other expenses of Rs. Rs. 3519.39 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 end. 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. 600 lakhs towards relinquishment of right in the said property

47. The details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016 are as provided in the Table below:

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	109.65	14.98	124.63
(+) Permitted receipts	-	212.36	212.36
(-) Permitted payments	-	106.98	106.98
(-) Amount deposited in Banks	109.65	38.14	147.79
Closing cash in hand as on 30 December 2016	-	82.22	82.22

Post demonetization, the management had directed all employees not to accept/ pay using the SBN's. Further, in view of the numerous locations where cash is collected the management has obtained direct confirmations from certain Banks confirming the collection of SBN's during the aforesaid period. For other banks, the Group has compiled the data on the basis of accounting records, bank statements and pay in slips for cash deposits during the period.

The aforesaid disclosures of SBN's have been compiled taking the management stated policy, direct bank confirmation and compilation of pay in slips.



**Lemon Tree Hotels Limited****Notes to consolidated financial statements for the year ended March 31, 2017****48. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006.**

	<i>Rs. In lakhs</i>		
	<b>March31, 2017</b>	<b>March31, 2016</b>	<b>April1, 2015</b>
the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	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	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	Nil
the amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	0.05	0.13
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	Nil

As per our report of even date

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

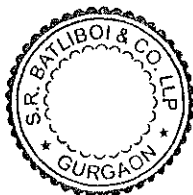
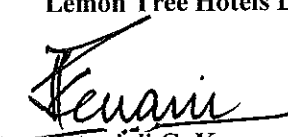
ICAI Firm Registration No. 301003E/E300005

Chartered Accountants

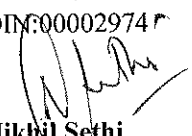
per Sanjay Vij

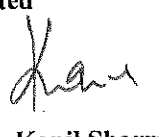
Partner

Membership No. 95169

**For and on behalf of the Board of Directors of  
Lemon Tree Hotels Limited**
  
**Patanjali G. Keswani**  
 (Chairman & Managing  
 Director)

DIN:00002974

  
**Nikhil Sethi**  
 Group Company  
 Secretary & GM Legal

  
**Kapil Sharma**  
 (Chief Financial Officer)


Place : Gurgaon

Date : June 15, 2017

Place: New Delhi

Date : June 15, 2017