

S. JANARDHAN & ASSOCIATES

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of M/s Sobha City (hereinafter referred to as "the firm") and its subsidiaries (the Holding firm and its subsidiaries together referred to as "the Group") which comprise the consolidated balance sheet as at 31 March 2017, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows and the statement of changes in equity of Partners for the year then ended and a summary of the significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Partners of Holding Firm is responsible for the preparation of these consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS).

The respective partners of the firm and the Board of Directors of the subsidiary companies included in the Group are responsible for maintenance of adequate accounting records for safeguarding 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Partners of the Holding Firm, as aforesaid.



Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. We have taken into account the accounting and auditing standards and matters which are required to be included in the audit report.

We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountant Of India. Those Standards and pronouncement require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Firm's preparation and presentation 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, but not for the purpose of expressing an opinion on whether the Holding Firm has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the partners of the Holding firm, as well as evaluating the overall presentation of the consolidated Ind AS financial statement.

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 sub-paragraph (a) of the Other Matters paragraph 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 aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Ind AS, of the consolidated state of affairs of the Group as at 31st March 2017, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements/financial information of 6 subsidiaries, whose financial statements/financial information reflect total assets of Rs.22.34 millions as at 31st March 2017, total revenues of Rs 0.06 million for the year ended on that date as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the



Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, insofar as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the management.

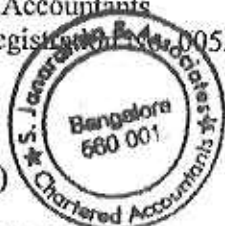
Report on Other Legal and Regulatory Requirements

We report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement, and the statement of changes in equity of Partners dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- d. In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards pronouncements issued by the Institute of Chartered Accountant Of India.
- e. With respect to the other matters to be included in the Auditor's Report, in our opinion and to the best of our information and according to the explanations given to us:
 - i) The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group-Refer Note 25 to the consolidated Ind AS financial statements.
 - ii) The firm did not have any long term contracts including derivative contract for which there were any material foreseeable losses ;

For S.Janardhan and Associates
Chartered Accountants
(Firm's Registration No. 005310S)


(B. Anand)
(Partner)
(Membership No. 29146)



Bangalore
15.05.2017

| | Note | As at 31-Mar-17 ₹ million | As at 31-Mar-16 ₹ million | As at 01-Apr-15 ₹ million |
|---|------|---------------------------------|---------------------------------|---------------------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Investment property | 4 | 1,918.622 | 1,937.906 | - |
| Financial assets | | | | |
| Other non-current financial assets | 8 | 5.709 | 3.431 | 0.876 |
| Other non-current assets | 9 | 747.413 | 3.413 | 3.413 |
| | | 2,671.744 | 1,944.750 | 4.289 |
| Current assets | | | | |
| Inventories | 5 | 609.394 | 599.746 | 2,295.708 |
| Financial assets | | | | |
| Trade receivables | 6 | 131.983 | 94.189 | 77.740 |
| Cash and cash equivalents | 7 | 19.864 | 30.929 | 49.035 |
| Other current financial assets | 8 | 51.119 | 125.866 | 213.472 |
| Other current assets | 9 | 502.317 | 412.959 | 298.889 |
| Current tax assets (net) | | 11.979 | - | - |
| | | 1,326.656 | 1,263.689 | 2,934.844 |
| Total assets | | 3,998.400 | 3,208.439 | 2,939.133 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Partners capital | 10 | 400.000 | 400.000 | 400.000 |
| Partners Current account and Other equity | 11 | 1,945.322 | 1,756.319 | 472.184 |
| Non Controlling Interest | | 0.001 | 0.001 | 0.001 |
| Total equity | | 2,345.323 | 2,156.320 | 872.185 |
| Non-current liabilities | | | | |
| Financial liabilities | | | | |
| Borrowings | 15 | 732.000 | - | - |
| Deferred tax liabilities (net) | 23 | 82.662 | 71.282 | 54.558 |
| | | 814.662 | 71.282 | 54.558 |
| Current liabilities | | | | |
| Financial liabilities | | | | |
| Borrowings | 15 | - | 291.667 | 1,105.009 |
| Trade payables | 12 | 7.954 | 5.324 | 1.606 |
| Other current financial liabilities | 13 | 121.074 | 74.354 | 183.507 |
| Other current liabilities | 14 | 709.387 | 608.710 | 704.456 |
| Liabilities for current tax (net) | | | 0.782 | 17.812 |
| | | 838.415 | 980.837 | 2,012.390 |
| Total liabilities | | 1,653.077 | 1,052.119 | 2,066.948 |
| Total equity and liabilities | | 3,998.400 | 3,208.439 | 2,939.133 |

Summary of significant accounting policies

2.4

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

As per our report of even date

For S Janardhan & Associates
Firms' Registration No.0053105
Chartered Accountants

For and on behalf of the Management Committee of
Sobha City

B. Anand
Partner
Member Ship No.29146

Jagadish Chandra Sharma
Partner

M Radhakrishnan
Partner

Place: Bengaluru, India
Date: 15th May, 2017

Place: Bengaluru, India
Date: 15th May, 2017

Sobha City
Consolidated Statement of profit and loss for the year ended March 31, 2017

| | Note | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|--|------|------------------------|------------------------|
| Revenue from operations | 16 | 206.780 | 741.906 |
| Other income | 17 | 0.010 | 1.346 |
| Finance income | 18 | 41.743 | 0.068 |
| Total income | | 248.533 | 743.320 |
| Expenses | | | |
| (Increase)/ decrease in inventories of land stock and work-in-progress | 19 | (9.648) | 129.895 |
| Subcontractor and other charges | | 103.507 | 296.391 |
| Depreciation and amortization | 20 | 39.482 | 11.398 |
| Other expenses | 21 | 163.032 | 85.039 |
| Finance cost | 22 | 50.853 | 89.040 |
| Total expenses | | 347.226 | 611.763 |
| Profit/(Loss) before tax | | (98.693) | 131.557 |
| Tax expenses | 23 | | |
| Current tax | | 0.002 | 28.304 |
| Deferred tax charge/ (credit) | | 11.380 | 16.724 |
| Tax relating to prior year | | 0.002 | 2.322 |
| Income tax expense | | 11.384 | 47.350 |
| Profit/(Loss) for the year | | (110.077) | 84.207 |
| Total comprehensive income for the year attributable to owners of the Company | | (110.077) | 84.207 |
| Total comprehensive income for the period attributable to : | | | |
| Owners of the Company and Firm | | (110.077) | 84.207 |
| Non-controlling interests | | - | - |
| | | (110.077) | 84.207 |

Summary of significant accounting policies

2.4

The accompanying notes are an integral part of the standalone financial statements.
As per our report of even date

For S.Janardhan & Associates
Firms' Registration No.005310S
Chartered Accountants

For and on behalf of the Management Committee of
Sobha City

B.Anand
Partner
Member Ship No.29146

Jagadish Chandra Sharma
Partner

M Radhakrishnan
Partner

Place: Bengaluru, India
Date: 15th May,2017

Place: Bengaluru, India
Date: 15th May,2017

a. Partners Capital

| | Amount in ₹million |
|-------------------------|-----------------------|
| Partners Capital | |
| At April 1, 2015 | 400.0000 |
| At March 31, 2016 | 400.0000 |
| At March 31, 2017 | 400.0000 |

b. Other equity

For the year ended March 31, 2017

| Attributable to the equity shareholders and Partners | Other equity | | ₹ million |
|--|--------------------------|-------------------|-----------|
| | Partners Current Account | Retained earnings | Total |
| As at April 1, 2016 | 1,742.492 | 13.827 | 1,756.319 |
| Profit/ (Loss) for the year | - | (110.076) | (110.076) |
| Additional contribution to Partner's current account | 299.080 | - | 299.080 |
| Transfer to other reserves | | | |
| Share of profit/ (loss) | (110.056) | 110.056 | - |
| March 31, 2017 | 1,931.517 | 13.807 | 1,945.324 |

For the year ended March 31, 2016

| Attributable to the equity shareholders and Partners | Other equity | | ₹ million |
|--|--------------------------|-------------------|-----------|
| | Partners Current Account | Retained earnings | Total |
| As at April 1, 2015 | 458.375 | 13.809 | 472.184 |
| Profit/ (Loss) for the year | - | 84.207 | 84.207 |
| Additional contribution to Partner's current account | 1,199.928 | - | 1,199.928 |
| Transfer to other reserves | | | |
| Share of profit/ (loss) | 84.189 | (84.189) | - |
| March 31, 2016 | 1,742.492 | 13.827 | 1,756.319 |

Summary of significant accounting policies

2.4

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

As per our report of even date

For S.Janardhan & Associates
Firms' Registration No.0053105
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For and on behalf of the Management Committee of
Sobha City

B.Anand
Partner
Member Ship No.29146

Jagadish Chandra Sharma
Partner

M Radhakrishnan
Partner

Place: Bengaluru, India
Date: 15th May,2017

Place: Bengaluru, India
Date: 15th May,2017

| | Note | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|--|----------|------------------------|------------------------|
| Operating activities | | | |
| Profit/(Loss) before tax | | (98.693) | 131.557 |
| <i>Adjustments to reconcile profit before tax to net cash flows:</i> | | | |
| Depreciation of Investment property, plant and equipment | | 39.482 | 11.398 |
| Finance income (including fair value change in financial instruments) | | (41.743) | (0.068) |
| Finance costs (including fair value change in financial instruments) | | 50.853 | 89.040 |
| <i>Working capital adjustments:</i> | | | |
| (Increase)/ decrease in trade receivables | | (37.793) | (16.449) |
| (Increase)/ decrease in inventories | | (9.649) | 1,695.962 |
| (Increase)/ decrease in other financial and non-financial assets | | (16.829) | (28.957) |
| Increase/ (decrease) in trade payables and other financial liabilities | | 47.693 | (102.560) |
| Increase/ (decrease) in other non-financial liabilities | | 100.677 | (95.746) |
| | | 33.997 | 1,684.177 |
| Income tax paid (net of refund) | | (12.763) | (47.656) |
| Net cash flows from/ (used in) operating activities (A) | | 21.234 | 1,636.521 |
| Investing activities | | | |
| Purchase of property, plant and equipment (including capital work-in-progress and capital advances) | | (20.199) | (1,949.304) |
| Investment /Capital advances | | (744.000) | - |
| (Investments in)/ redemption of bank deposits (having original maturity of more than three months) - net | | (0.060) | (0.072) |
| Interest received | | 41.743 | 0.078 |
| Net cash flows from/ (used in) investing activities (B) | | (722.516) | (1,949.298) |
| Financing activities | | | |
| Proceeds from long-term borrowings | | 732.000 | - |
| Contribution to Partner's current account | | 299.080 | 1,199.928 |
| Repayment of short-term borrowings | | (291.667) | (813.342) |
| Interest paid (gross) | | (49.196) | (91.915) |
| Net cash flows from/ (used in) financing activities (C) | | 690.217 | 294.671 |
| Net increase/ (decrease) in cash and cash equivalents (A+B+C) | | (11.065) | (18.106) |
| Cash and cash equivalents at the beginning of the year | 7 | 30.929 | 49.035 |
| Cash and cash equivalents at the end of the year | 7 | 19.864 | 30.929 |

Summary of significant accounting policies

2.4

As per our report of even date

For S.Janardhan & Associates
Firms' Registration No.005310S
Chartered Accountants

For and on behalf of the Management Committee of
Sobha City

B.Anand
Partner
Member Ship No.29146

Jagadish Chandra Sharma
Partner

M Radhakrishnan
Partner

Place: Bengaluru, India
Date: 15th May,2017

Place: Bengaluru, India
Date: 15th May,2017

1 Corporate Information

Sobha City a registered Partnership Firm('Firm') was incorporated on June 11, 2007. The Firm is primarily engaged in procurement, sale and development of lands into a residential, commercial complex and plotted development.

The Firm is domiciled in India and registered under the provisions of the Indian Partnership Act. The registered office is located at Bengaluru, Karnataka and having a branch at Thrissur, Kerala.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements are separate financial statements prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

For all periods up to and including the year ended March 31, 2016, the Firm prepared its financial statements in accordance accounting standards notified under the 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 33 for information on how the Group adopted Ind AS.

The consolidated financial statements have been prepared on the historical cost basis, and except for the following assets and liabilities which have been measured at fair value.

Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The consolidated financial statements are presented in INR and all values are rounded to the nearest millions, except when otherwise indicated.

2.2 Group Information

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

| Name of investee | Principal activities | Country of incorporation | Percentage of ownership/voting rights | | |
|--|-------------------------|--------------------------|---------------------------------------|-----------|-----------|
| | | | 31-Mar-17 | 31-Mar-16 | 31-Mar-15 |
| Subsidiaries | | | | | |
| Vayaloor Properties Private Limited | Real Estate Development | India | 100% | 100% | 100% |
| Vayaloor Builders Private Limited | | India | 100% | 100% | 100% |
| Vayaloor Developers Private Limited | | India | 100% | 100% | 100% |
| Vayaloor Real Estate Private Limited | | India | 100% | 100% | 100% |
| Vayaloor Realtors Private Limited | | India | 100% | 100% | 100% |
| Valasai Vettikadu Realtors Private Limited | | India | 100% | 100% | 100% |

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Firm 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 returns

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

- ▶ 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.

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 AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

A change in the ownership interest of a subsidiary, 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.

2.4 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 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment. The same first time adoption exemption is also used for associates and joint ventures.

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.

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. 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.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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 duties collected on behalf of the government. Revenue includes excise duty, since the recovery of excise duty flows to the Group on its own account.

However, 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.

The specific recognition criteria described below must also be met before revenue is recognised.

i. Recognition of revenue from contractual projects

If the outcome of contractual contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method). The stage of completion on a project is measured on the basis of proportion of the contract work/ based upon the contracts/ agreements entered into by the Group with its customers.

ii. Recognition of revenue from real estate projects

Revenue from real estate projects is recognised when it is reasonably certain that the ultimate collection will be made and that there is buyers' commitment to make the complete payment. The following specific recognition criteria must also be met before revenue is recognized:

a. Recognition of revenue from property development

Revenue from real estate projects including revenue from sale of undivided share of land [group housing] is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements. Where the Group still has obligations to perform substantial acts even after the transfer of all significant risks and rewards, revenue in such cases is recognised by applying the percentage of completion method only if the following thresholds have been met:

- (a) all critical approvals necessary for the commencement of the project have been obtained;
- (b) the expenditure incurred on construction and development costs (excluding land cost) is not less than 25 % of the total estimated construction and development costs;
- (c) at least 25 % of the saleable project area is secured by contracts/agreements with buyers; and
- (d) at least 10 % of the contracts/agreements value are realised at the reporting date in respect of such contracts/agreements.

When the outcome of a real estate project can be estimated reliably and the conditions above are satisfied, project revenue (including from sale of undivided share of land) and project costs associated with the real estate project should be recognised as revenue and expenses by reference to the stage of completion of the project activity at the reporting date arrived at with reference to the entire project costs incurred (including land costs).

Further, for projects executed through joint development arrangements, wherein the land owner/possessor provides land and the Group undertakes to develop properties on such land and in lieu of land owner providing land, the Group has agreed to transfer certain percentage of constructed area or certain percentage of the revenue proceeds, the revenue from the development and transfer of constructed area/revenue sharing arrangement in exchange of such development rights/ land is being accounted on gross basis on launch of the project.

The revenue is measured at the fair value of the land received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the land received cannot be measured reliably, the revenue is measured at the fair value of the estimated construction service rendered to the land owner, adjusted by the amount of any cash or cash equivalents transferred. The fair value so estimated is considered as the cost of land in the computation of percentage of completion for the purpose of revenue recognition as discussed above.

b. Recognition of revenue from sale of land and development rights

Revenue from sale of land and development rights is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements. Revenue from sale of land and development rights is only recognised when transfer of legal title to the buyer is not a condition precedent for transfer of significant risks and rewards of ownership to the buyer.

iii. Rental income from operating leases

Rental income receivable under operating leases (excluding variable rental income) is recognized in the income statement on a straight-line basis over the term of the lease including lease income on fair value of refundable security deposits. Rental income under operating leases having variable rental income is recognized as per the terms of the contract.

iv. Interest income

Interest income, including income arising from other financial instruments, is recognised using the effective interest rate method.

Property, plant and equipment

Since there is no change in the functional currency, the Group has elected to continue with the carrying value for all of its property, plant and equipment as recognised in its Indian GAAP financial statements as deemed cost at the transition date, viz., 1 April 2015.

Property, plant & equipment are stated at their cost of acquisition/construction, net of accumulated depreciation and impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. 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 recognized 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.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Borrowing costs directly attributable to acquisition of property, plant and equipment which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

An item of property, plant and equipment and any significant part initially recognised is derecognised 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 Property, plant and equipment is derecognised.

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the statement of profit and loss.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.

d) Investment properties

Since there is no change in the functional currency, the Group has elected to continue with the carrying value for all of its investment property as recognized in its Previous GAAP financial statements as deemed cost at the transition date, viz., 1 April 2015.

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 cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the investment property are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in profit or loss as incurred.

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 de-recognized 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 recognized in profit or loss in the period of de-recognition.

e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets, comprising of software and intellectual property rights are amortized on a straight line basis over a period of 3 years, which is estimated to be the useful life of the asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

f) Depreciation on property, plant and equipment and Investment property

Depreciation is calculated on written down value basis using the following useful lives prescribed under Schedule II, except where specified.

| Particulars | Useful lives estimated by the management (in years) |
|---|--|
| Property, plant and equipment | |
| Factory buildings | 30 |
| Buildings - other than factory buildings | 60 |
| Buildings - Temporary structure | 3 |
| Plant and machinery | |
| i. General plant and machinery | 15 |
| ii. Plant and machinery - Civil construction | 12 |
| iii. Plant and Machinery - Electrical installations | 10 |
| Furniture and fixtures | 10 |
| Motor vehicles | 8 |
| Computers | |
| i. Computer equipment | 3 |
| ii. Servers and network equipment | 6 |
| Office equipments | 5 |
| Investment property | |
| Buildings - other than factory buildings | 60 |
| Plant and machinery | |
| i. General plant and machinery | 15 |
| ii. Plant and machinery - Civil construction | 12 |
| iii. Plant and Machinery - Electrical installations | 10 |
| Furniture and fixtures | 10 |

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

g) Impairment of non financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. 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 groups of assets. When 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 fair value less costs of disposal, recent market transactions are taken into account. 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.

Impairment losses, including impairment on inventories, are recognised in the statement of profit and loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

h) Impairment of financial assets

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Group recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

i) 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.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The real estate development projects undertaken by the Group generally run over a period ranging upto 5 years. Operating assets and liabilities relating to such projects are classified as current based on an operating cycle of upto 5 years. Borrowings in connection with such projects are classified as short-term (i.e. current) since they are payable over the term of the respective projects.

Assets and liabilities, other than those discussed above, are classified as current to the extent they are expected to be realised / are contractually repayable within 12 months from the Balance sheet date and as non-current, in other cases.

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

j) Fair value measurement

The Group measures financial instruments, such as investments 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 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 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.

k) 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 four categories:

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

Debt instruments at amortised cost

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

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

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

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).

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. Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

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.

Equity investments in subsidiaries and joint ventures

The Group has availed the option available in Ind AS 27 to carry its investment in subsidiaries and joint ventures at cost. Impairment recognized, if any, is reduced from the carrying value.

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 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.

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

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, or as payables, as appropriate.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is due within 12 months after reporting period. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

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.

D) Borrowing costs

Borrowing costs directly attributable to acquisition/ construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/ sale. All other borrowing costs not eligible for inventurisation/ capitalisation are charged to statement of profit and loss.

m) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in 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, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

n) Retirement and other employee benefits

Retirement benefit in the form of provident 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 provident fund are due. There are no other obligations other than the contribution payable to the government administered provident fund.

The Group makes contributions to Sobha Developers Employees Gratuity Trust ('the trust') to discharge the gratuity liability to employees. Provision towards gratuity, a defined benefit plan, is made for the difference between actuarial valuation by an independent actuary and the fund balance, as at the year end. The cost of providing benefits under gratuity is determined on the basis of actuarial valuation using the projected unit credit method at each year end.

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

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the 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

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. 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 twelve months after the reporting date.

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period for which the services are rendered by the employee.

n) Provisions

A provision is recognized when an enterprise has a present obligation (legal or constructive) as result of past event and it is probable that an outflow of embodying economic benefits of resources will be required to settle a reliably assessable obligation. Provisions are determined based on best estimate required to settle each obligation at each balance sheet date. 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.

p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

q) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

r) Taxes

Tax expense comprises of current and deferred tax.

Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. 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.

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

Deferred tax assets and liabilities are recognised for all taxable temporary differences, except:

➤ 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

➤ When the deferred tax 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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Minimum Alternative Tax (MAT) may become payable when the taxable profit is lower than the book profit. Taxes paid under MAT are available as a set off against regular corporate tax payable in subsequent years, as per the provisions of Income Tax Act. MAT paid in a year is charged to the statement of profit and loss as current tax. The Group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

s) Foreign currency translation

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on reporting monetary items of Group at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

t) Inventories*Related to contractual and real estate activity*

Direct expenditure relating to construction activity is inventorised. Other expenditure (including borrowing costs) during construction period is inventorised to the extent the expenditure is directly attributable cost of bringing the asset to its working condition for its intended use. Other expenditure (including borrowing costs) incurred during the construction period which is not directly attributable for bringing the asset to its working condition for its intended use is charged to the statement of profit and loss. Direct and other expenditure is determined based on specific identification to the construction and real estate activity. Cost incurred/ items purchased specifically for projects are taken as consumed as and when incurred/ received.

- i. Work-in-progress - Contractual: Cost of work yet to be certified/ billed, as it pertains to contract costs that relate to future activity on the contract, are recognised as contract work-in-progress provided it is probable that they will be recovered. Contractual work-in-progress is valued at lower of cost and net realisable value.
- ii. Work-in-progress - Real estate projects (including land inventory): Represents cost incurred in respect of unsold area of the real estate development projects or cost incurred on projects where the revenue is yet to be recognised. Real estate work-in-progress is valued at lower of cost and net realisable value.
- iii. Finished goods - Flats: Valued at lower of cost and net realisable value.
- iv. Finished goods - Plots: Valued at lower of cost and net realisable value.
- v. Building materials purchased, not identified with any specific project are valued at lower of cost and net realisable value. Cost is determined based on a weighted average basis.
- vi. Land inventory: Valued at lower of cost and net realisable value.

u) Leases**Where the Group is 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, unless the lease agreement explicitly states that increase is on account of inflation. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgements, estimates and assumptions that affect the reported balances 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.

a) Judgements

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

i) Classification of property

The Group determines whether a property is classified as investment property or inventory property:

Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

b) 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 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.

i) Revenue recognition, contract costs and valuation of unbilled revenue

The Group uses the percentage-of-completion method for recognition of revenue, accounting for unbilled revenue and contract cost thereon for its real estate and contractual projects. The percentage of completion is measured by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs. Use of the percentage of completion method requires the Group to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Significant assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. These estimates are based on events existing at the end of each reporting date.

ii) Estimation of net realisable value for inventory property (including land advance)

Inventory property is stated at the lower of cost and net realisable value (NRV).

NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment.

NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and an estimate of the time value of money to the date of completion.

With respect to Land advance given, the net recoverable value is based on the present value of future cash flows, which depends on the estimate of, among other things, the likelihood that a project will be completed, the expected date of completion, the discount rate used and the estimation of sale prices and construction costs.

4 Investment Property

| | Other assets forming part of Building | | | | Total |
|------------------------------------|---------------------------------------|-----------------|---------------------|------------------------|-----------|
| | Freehold land | Other buildings | Plant and machinery | Furniture and fixtures | |
| Cost or valuation | | | | | |
| At 1 April 2015 | | | | | - |
| Additions | 132.471 | 1,641.279 | 109.344 | 21.836 | 44.374 |
| Disposals | | | | | 1,949.304 |
| At 31 March 2016 | 132.471 | 1,641.279 | 109.344 | 21.836 | 44.374 |
| Additions | | 19.700 | - | 0.498 | - |
| Disposals | | | | | 20.198 |
| At 31 March 2017 | 132.471 | 1,660.979 | 109.344 | 22.334 | 44.374 |
| | | | | | 1,969.502 |
| Depreciation and impairment | | | | | |
| At 1 April 2015 | | | | | - |
| Charge for the year | | 7.487 | 2.010 | 0.621 | 1.280 |
| Disposals | | | | | 11.398 |
| Other adjustments | | | | | - |
| At 31 March 2016 | | 7.487 | 2.010 | 0.621 | 1.280 |
| Charge for the year | | 26.064 | 6.925 | 2.106 | 4.387 |
| Disposals | | | | | 39.482 |
| At 31 March 2017 | | 33.551 | 8.935 | 2.727 | 5.667 |
| | | | | | 50.880 |
| Net Book value | | | | | |
| At 31 March 2017 | 132.471 | 1,627.428 | 100.409 | 19.607 | 38.707 |
| | | | | | 1,918.622 |
| At 31 March 2016 | 132.471 | 1,633.792 | 107.334 | 21.215 | 43.094 |
| | | | | | 1,937.906 |
| At 1 April 2015 | - | - | - | - | - |

a) For Investment property existing as on the date of transition to Ind AS, i.e., April 1, 2015, the Group has used Indian GAAP carrying value as deemed costs.

| Information regarding income and expenditure of investment property | ₹ million | |
|--|-----------|-----------|
| | 31-Mar-17 | 31-Mar-16 |
| Rental income derived from investment properties | 178.79 | 42.5 |
| Direct operating expenses (including repairs and maintenance) generating rental income | (126.66) | (42.96) |
| Profit arising from investment properties before depreciation and indirect expenses | 52.13 | (0.46) |
| Less:- Depreciation | 39.48 | 11.398 |
| Profit arising from investment properties before indirect expenses | 12.65 | (11.86) |

The fair value of Investment property is ₹ 2,805 million (March 31, 2016 - ₹ 2,805 million). These valuations are based on valuations performed by an independent valuer.

Fair value hierarchy for investment properties have been provided in Note 30

5 Inventories (valued at lower of cost and net realizable value)

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|------------------|------------------------|------------------------|------------------------|
| Land stock | 34.350 | 555.820 | 596.052 |
| Work-in-progress | 575.044 | 43.926 | 1,699.656 |
| | 609.394 | 599.746 | 2,295.708 |

6 Trade receivables

| | ₹ million | | | | | |
|---|----------------|----------------------|---------------|-----------|--------------------------|-----------|
| | 31-Mar-17 | Current 31-Mar-16 | 01-Apr-15 | 31-Mar-17 | Non-current 31-Mar-16 | 01-Apr-15 |
| Trade receivables | 131.583 | 93.731 | 77.740 | - | - | - |
| Receivables from a Partner (refer note 29) | 0.400 | 0.458 | - | - | - | - |
| Total Trade receivables | 131.983 | 94.189 | 77.740 | - | - | - |
| Break up of security details and more than 6 months overdue: | | | | | | |
| <i>Outstanding for a period exceeding six months from the date they are due for payment</i> | | | | | | |
| Unsecured, considered good | 101.181 | 70.919 | 77.740 | - | - | - |
| | 101.181 | 70.919 | 77.740 | - | - | - |
| <i>Other receivables</i> | | | | | | |
| Unsecured, considered good | 30.802 | 23.270 | - | - | - | - |
| | 30.802 | 23.270 | - | - | - | - |
| Total Trade receivables | 131.983 | 94.189 | 77.740 | - | - | - |

7 Cash and bank balances

| | ₹ million | | | | | |
|--|---------------|----------------------|---------------|-----------|--------------------------|-----------|
| | 31-Mar-17 | Current 31-Mar-16 | 01-Apr-15 | 31-Mar-17 | Non-current 31-Mar-16 | 01-Apr-15 |
| Cash and cash equivalents | | | | | | |
| <i>Balances with banks:</i> | | | | | | |
| - On current accounts | 19.791 | 30.891 | 49.022 | - | - | - |
| Cash on hand | 0.073 | 0.038 | 0.013 | - | - | - |
| | 19.864 | 30.929 | 49.035 | - | - | - |
| Bank balance other than cash and cash equivalents | | | | | | |
| - Deposits with maturity for more than 3 months but less than 12 months | 0.958 | 0.898 | 0.826 | - | - | - |
| | 0.958 | 0.898 | 0.826 | - | - | - |
| Less: Amount disclosed under non-current financial assets (refer note 8) | 0.958 | 0.898 | 0.826 | - | - | - |
| | 19.864 | 30.929 | 49.035 | - | - | - |

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|-----------------------------|------------------------|------------------------|------------------------|
| <i>Balances with banks:</i> | | | |
| – On current accounts | 19,791 | 30,891 | 49,022 |
| Cash on hand | 0,073 | 0,038 | 0,013 |
| | 19,864 | 30,929 | 49,035 |

Disclosure for Specified Bank Notes

Details of Specified Bank Notes (SBN) held and transacted during the period November 8, 2016 to December 30, 2016 has been provided in the table below:

| Particulars | SBNs | Other denomination | ₹ million |
|--|--------|-----------------------|-----------|
| | | | Total |
| Closing cash in hand as on November 8, 2016 | 0.04 | 0.03 | 0.07 |
| (-) Cash withdrawal | - | 0.11 | 0.11 |
| (+) Permitted receipts | - | 0.34 | 0.34 |
| (-) Permitted payments | - | (0.45) | (0.45) |
| (-) Amount deposited in banks | (0.04) | - | (0.04) |
| Closing cash in hand as on December 30, 2016 | - | 0.03 | 0.03 |

Permitted receipts and payments of other denomination notes disclosed above should not be construed as permitted receipts and permitted payments as permitted by RBI from time to time pursuant to the introduction of the demonetisation scheme by the Government vide RBI circular RBI/2016-17/112 dated November 8, 2016. These are general receipts and payments of other denomination notes.

8 Other financial assets

| | Current | | | Non-current | | |
|--|---------------|----------------|----------------|--------------|--------------|--------------|
| | 31-Mar-17 | 31-Mar-16 | 01-Apr-15 | 31-Mar-17 | 31-Mar-16 | 01-Apr-15 |
| Security deposit | | | | | | |
| <i>Unsecured, considered good</i> | | | | | | |
| Security deposit - Others | - | - | - | 4.751 | 2.533 | 0.050 |
| | - | - | - | 4.751 | 2.533 | 0.050 |
| Others | | | | | | |
| Unbilled revenue | 51.119 | 125.866 | 213.472 | - | - | - |
| Non-current bank balances (refer note 7) | - | - | - | 0.958 | 0.898 | 0.826 |
| | 51.119 | 125.866 | 213.472 | 5.709 | 3.431 | 0.876 |

9 Other assets

| | ₹ million | | | | | |
|---|-----------|----------------------|-----------|-----------|--------------------------|-----------|
| | 31-Mar-17 | Current 31-Mar-16 | 01-Apr-15 | 31-Mar-17 | Non-current 31-Mar-16 | 01-Apr-15 |
| Capital advances | | | | | | |
| Unsecured, considered good | - | - | - | 744.000 | - | - |
| Advances recoverable in cash or kind | | | | | | |
| Unsecured considered good | 201.666 | 127.120 | 5.434 | 3.413 | 3.413 | 3.413 |
| Others | | | | | | |
| Prepaid expenses | 0.193 | 0.638 | - | - | - | - |
| Balances with statutory/ government authorities | 300.458 | 285.201 | 293.445 | - | - | - |
| Interest accrued on investments | - | - | 0.010 | - | - | - |
| | 502.317 | 412.959 | 298.889 | 747.413 | 3.413 | 3.413 |

Loans and advances due by directors or other officers, etc.

| | ₹ million | | | | | |
|-----------------------------------|-----------|----------------------|-----------|-----------|--------------------------|-----------|
| | 31-Mar-17 | Current 31-Mar-16 | 01-Apr-15 | 31-Mar-17 | Non-current 31-Mar-16 | 01-Apr-15 |
| Land advance | | | | | | |
| Due from Sobha Limited, a Partner | 191.867 | 120.952 | - | - | - | - |

10 Partners Capital

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|---------------------------------|------------------------|------------------------|------------------------|
| Sobha Limited | 399.990 | 399.990 | 399.990 |
| Sobha Developers (Pune) Limited | 0.010 | 0.010 | 0.010 |
| Total capital | 400.000 | 400.000 | 400.000 |

| Name of Partner | Share of partner in profits (%) | | |
|---------------------------------|---------------------------------|-----------|-----------|
| | 31-Mar-17 | 31-Mar-16 | 01-Apr-15 |
| Sobha Limited | 99 | 99 | 99 |
| Sobha Developers (Pune) Limited | 1 | 1 | 1 |

11 Partners Current Account and Other equity

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|---|------------------------|------------------------|------------------------|
| Partners Current account : Sobha Limited | | | |
| Balance at the beginning of the year | 1,737.002 | 453.727 | 306.991 |
| Share of Profit transferred during the year | (108.955) | 83.347 | 146.736 |
| Transfers during the year | 299.080 | 1,199.928 | - |
| Closing balance | 1,927.127 | 1,737.002 | 453.727 |
| Partners Current account : Sobha Developers Pune Limited | | | |
| Balance at the beginning of the year | 5.490 | 4.648 | 3.166 |
| Share of Profit transferred during the year | (1.101) | 0.842 | 1.482 |
| Closing balance | 4.389 | 5.490 | 4.648 |
| Surplus in the statement of profit and loss | | | |
| Balance at the beginning of the year | 13.827 | 13.809 | 13.859 |
| Add: Profit/(Loss) for the year | (110.077) | 84.207 | 148.168 |
| Less : Non Controlling Interest Payable | (0.000) | 0.000 | (0.000) |
| Less : Amount transferred to Partners Current Account | (110.056) | 84.189 | 148.218 |
| Net surplus in the statement of profit and loss | 13.806 | 13.827 | 13.809 |
| Total other equity | 1,945.322 | 1,756.319 | 472.184 |

12 Trade payables

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|---|------------------------|------------------------|------------------------|
| Trade payables | | | |
| - Total outstanding dues of micro enterprises and small enterprises (refer note 25 for details of dues to micro and small enterprises) | - | - | - |
| - Total outstanding dues of creditors other than micro enterprises and small enterprises | 7,954 | 5,324 | 1,606 |
| | 7,954 | 5,324 | 1,606 |

Terms and conditions of the above financial liabilities:

-Trade payables are non-interest bearing and are normally settled on 60-day terms

-Trade payables of related parties are disclosed in the note 29

For explanations on the Company's credit risk management processes, refer to note 31

13 Other financial liabilities

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|--|------------------------|------------------------|------------------------|
| Current | | | |
| Current maturities of long-term borrowings (refer note 15) | 12.00 | - | - |
| Interest accrued but not due on borrowings | 3.673 | 2,016 | 4,890 |
| Lease deposit | 57,788 | 33,539 | - |
| Others | | | |
| Payable to related parties (refer note 29) | 47,613 | 38,799 | 178,617 |
| Total current other financial liabilities | 121,074 | 74,354 | 183,507 |
| Total other financial liabilities | 121,074 | 74,354 | 183,507 |

14 Other liabilities

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|--------------------------------|------------------------|------------------------|------------------------|
| Advance from customers | 688,314 | 591,335 | 690,527 |
| Withholding taxes payable | 1,798 | 0,668 | 1,050 |
| Others | 19,275 | 16,707 | 12,879 |
| Total Other liabilities | 709,387 | 608,710 | 704,456 |

15 Borrowings

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|--|------------------------|------------------------|------------------------|
| Non-current Borrowings | | | |
| Secured loans | | | |
| Term loans from bank | 744,000 | - | - |
| Less : Amount disclosed under the head "other current financial liabilities" (refer note 13) | 12,000 | - | - |
| Net Amount | 732,000 | - | - |
| Total non-current Borrowings | 732,000 | - | - |
| Current Borrowings | | | |
| Secured loans | | | |
| Term loans from bank* | - | 291,667 | 1,105,009 |
| Total current Borrowings | - | 291,667 | 1,105,009 |

* Term loan from banks and financial institutions represents amount repayable within the operating cycle. Amount payable within twelve months Nil (March 31, 2016 - 291,667; April 1, 2015 - 815,342)

Non-current Borrowings

(i) Secured debentures

| Particulars | Amount outstanding (₹ million) | Effective Interest rate | Security details | Repayment terms |
|----------------------|-----------------------------------|----------------------------|--|--|
| | 31-Mar-17 | | 31-Mar-16 | 01-Apr-15 |
| Term loans from bank | 732,000 | - | - | 10%-12% |
| | | | Secured by equitable mortgage of certain land of the group companies and Firm's Commercial Land and Building, equipments, plant and machinery and its receivables. | Repayable in 180 Monthly instalments of multiple payment pattern starting from September 2016. |

Current Borrowings

(ii) Secured loans

| Particulars | Amount outstanding (₹ million) | Effective Interest rate | Security details | Repayment terms |
|----------------------|-----------------------------------|----------------------------|---|---|
| | 31-Mar-17 | | 31-Mar-16 | 01-Apr-15 |
| Term loans from bank | - | - | 405,009 | 12%-15% |
| | | | Secured against equitable mortgage of certain project specific Inventory and receivable of the group. | Two equal monthly instalments after the moratorium period of 39 months from the date of disbursement. |
| Term loans from bank | - | - | 291,667 | 11%-15% |
| | | | Secured by equitable mortgage of certain land of the group companies and project receivables of the Group | The term loan facility to be repayable in 12 equal monthly instalments starting from September 2015. |

16 Revenue from operations

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|----------------------------------|------------------------|------------------------|
| Revenue from operations | | |
| Sale of products/ finished goods | | |
| Income from property development | 28,000 | 699,400 |
| Other operating revenue | | |
| Income from maintenance services | 65,435 | 18,935 |
| Income from Rental services | 113,345 | 23,571 |
| Total | 206,780 | 741,906 |

17 Other income

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|----------------------------|------------------------|------------------------|
| Other non-operating income | 0.010 | 1,346 |
| | 0.010 | 1,346 |

18 Finance income

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|-----------------------|------------------------|------------------------|
| Interest income on | | |
| Bank deposits | 0.064 | 0.068 |
| Long term investments | 41.679 | - |
| Others | 0.000 | 0.000 |
| | 41.743 | 0.068 |

19 (Increase)/ decrease in inventories

| | ₹ million 31-Mar-17 | ₹ million 31-Mar-16 | | ₹ million (Increase) / decrease |
|--|------------------------|------------------------|------------------|---------------------------------------|
| Inventories at the end of the year | | | | 31-Mar-17 |
| Land stock | 34,350 | 555,820 | | 521,470 |
| Work-in-progress | 575,044 | 43,926 | | (531,118) |
| | 609,394 | 599,746 | | (9,648) |
| Inventories at the beginning of the year | | | | 31-Mar-16 |
| Land stock | 555,820 | 596,052 | | 40,232 |
| Work-in-progress | 43,926 | 1,699,656 | 1,566,067 | 89,663 |
| | 599,746 | 2,295,708 | 1,566,067 | 129,895 |
| Less: Transferred to Capital work-in-progress/ tangible assets/ advances | | 1,566,067 | | |
| | 599,746 | 729,641 | | |
| (Increase)/ decrease | -9,648 | 129,895 | | |

20 Depreciation and amortization expense

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|---------------------------------------|------------------------|------------------------|
| Depreciation of investment properties | 39.482 | 11.398 |
| | 39.482 | 11.398 |

21 Other expenses

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|--|------------------------|------------------------|
| Power and fuel | 53.066 | 9.532 |
| Rates and taxes | 5.402 | 6.057 |
| Insurance | 0.655 | 0.268 |
| Property maintenance expenses | 50.222 | 35.684 |
| Advertising and sales promotion consultancy fees | 8.975 | 10.897 |
| Brokerage and discounts | 2.737 | - |
| Donation | - | 1.000 |
| Travelling and conveyance | 0.134 | - |
| Communication costs | 0.121 | 0.025 |
| Printing and stationery | 0.843 | 2.878 |
| Legal and professional fees | 32.517 | 11.984 |
| Registration expenses | - | 2.853 |
| Payment to auditor (Refer details below) | 0.126 | 0.146 |
| Exchange difference (net) | 0.007 | - |
| Miscellaneous expenses | 8.227 | 3.715 |
| | 163.032 | 85.039 |

Payment to auditor

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|---------------------------|------------------------|------------------------|
| As auditor: | | |
| Audit fee | 0.071 | 0.071 |
| In other capacity: | | |
| Taxation matters | 0.055 | 0.075 |
| Reimbursement of expenses | - | - |
| | 0.126 | 0.146 |

22 Finance costs

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|----------------------------|------------------------|------------------------|
| Interest | | |
| - On borrowings | 47.541 | 86.145 |
| - Others | 0.136 | 2.832 |
| Bank charges | 3.176 | 0.063 |
| | 50.853 | 89.040 |
| Total finance costs | 50.853 | 89.040 |

23 Income tax

The major components of income tax expense for the years ended March 31, 2017 and March 31, 2016 are:

Statement of profit and loss:

Profit or loss section

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|---|------------------------|------------------------|
| Current income tax: | | |
| Current income tax charge | 0.002 | 28,304 |
| Adjustments in respect of current income tax of previous year | 0.002 | 2,322 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | 11,380 | 16,724 |
| Income tax expense reported in the statement of profit or loss | 11,384 | 47,350 |

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

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|---|------------------------|------------------------|
| Accounting profit before income tax | (98,693) | 131,557 |
| At India's statutory income tax rate of 33.063% (March 31, 2016: 33.063%) | - | 43,496 |
| Adjustments in respect of current income tax of previous years | 0.004 | 2,322 |
| Adjustments in respect of deferred tax of previous years | 11,380 | |
| Non-deductible expenses for tax purposes: | | |
| Disallowance u/s 80G | | 0,331 |
| Ineligible interest expense | | 0,911 |
| Others | | 0,290 |
| Effect of increase in surcharge | | |
| At the effective income tax rate of 33.063% (March 31, 2016: 34.608%) | 11,384 | 47,350 |
| | 11,384 | 47,350 |

Deferred tax

Deferred tax relates to the following:

| | Balance sheet | | | Statement of profit and loss | |
|---|---------------|---------------|---------------|------------------------------|-----------|
| | 31-Mar-17 | 31-Mar-16 | 01-Apr-15 | 31-Mar-17 | 31-Mar-16 |
| Accelerated depreciation for tax purposes | 64,107 | 27,351 | 54,558 | 36,756 | (27,207) |
| Interest U/S 36(1)(iii)-Interest | | | | | |
| Inventorised/Capitalised in the books but claimed as expense in Tax | 37,184 | 43,931 | - | (6,747) | 43,931 |
| Deferred tax on brought forward losses | (18,629) | - | - | (18,629) | - |
| Deferred tax expense / (income) | | | | 11,380 | 16,724 |
| Net deferred tax assets / (liabilities) | 82,662 | 71,282 | 54,558 | | |

Reconciliation of deferred tax liabilities (net):

| | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million |
|---|------------------------|------------------------|
| Opening balance as of 1 April | 71,282 | 54,558 |
| Tax income/(expense) during the period recognised in profit or loss | 11,380 | 16,724 |
| Closing balance as at 31 March | 82,662 | 71,282 |

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Sobha City

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

24 There is no expenditure or earnings in Foreign exchange during the period.

25 **Commitments and contingencies**

a. Leases

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its fixed assets. These operating leases have variable terms ranging from 12 months to 36 months upto eleven years. All leases include a clause to enable upward revision of the lease rental on periodical basis and includes variable rent determined based on percentage of sales of lessee.

The Group has recognised ₹ 113.35 million (March 31, 2016 - ₹ 23.57 million) during the year towards lease rental income.

Minimum lease payments receivable in respect of these leases for non-cancellable period are as follows:

| Particulars | 31-Mar-17 ₹ million | 31-Mar-16 ₹ million | 01-Apr-15 ₹ million |
|---|------------------------|------------------------|------------------------|
| Within one year | 103.360 | 48.410 | 0.000 |
| After one year but not more than five years | 138.430 | 21.950 | 0.000 |
| More than five years | 0.000 | 0.000 | 0.000 |
| Total | 241.790 | 70.360 | 0.000 |

b. Contingent Liability:

i) Tax Disputes

| Particulars | 31-Mar-17 | 31-Mar-16 |
|------------------------------------|-----------|-----------|
| | ₹ million | |
| Service tax matters in dispute | 129,279 | 123,907 |
| Value added tax matters in dispute | 143,348 | 58,085 |

26 There are no dues to any party covered under Micro, Small and medium Enterprises Development Act, 2006, and hence information required under the said Act has not been furnished.

27 The provision of Gratuity and other related acts are not applicable and hence no such provisions are made.

28 **Construction Contracts:**

| Particulars | 31-Mar-17 | 31-Mar-16 |
|--|-----------|-----------|
| | ₹ million | ₹ million |
| Contract Revenue recognized as revenue in the period | 15,036 | 650,399 |
| Contract Cost incurred and recognized Profits (less recognized Losses) upto the reporting date | 6,533,059 | 6,421,765 |
| Advances received | 4,754,131 | 4,599,471 |
| Amount of work-in-progress and value of inventories | 35,061 | 1,763,854 |
| Gross amount due from customers for contract work | 51,119 | 114,383 |

a) List of Related Parties

Partner:

Sobha Limited
(formerly known as Sobha Developers Limited)
Sobha Developers (Pune) Limited
(formerly known as Sobha Developers Pune Private Limited)

Subsidiaries:

Valasai Vettikadu Realtors Private Limited
Vayaloor Builders Private Limited
Vayaloor Developers Private Limited
Vayaloor Properties Private Limited
Vayaloor Real Estate Private Limited
Vayaloor Realtors Private Limited

Other Related Parties :

Allapuzha Fine Real Estate Private Limited
Aluva Realtors Private Limited
Annalakshmi Land Developers Private Limited
Bikasa Properties Private Limited
Bikasa Realestates Private Limited
Bikasa Realtors Private Limited
Chennai Supercity Developers Private Limited
Chikmangaloor Builders Private Limited
Chikmangaloor Developers Private Limited
Chikmangaloor Properties Private Limited
Chikmangaloor Realtors Private Limited
Cochin Cyber City Private Limited
Cochin Cyber Estates Private Limited
Cochin Cyber Golden Properties Private Limited
Cochin Cyber Value Added Properties Private Limited
Cochin Realtors Private Limited
Daram Cyber Builders Private Limited
Daram Cyber Developers Private Limited
Daram Cyber Properties Private Limited
Daram Lands Real Estate Private Limited
Greater Cochin Cybercity Private Limited
Greater Cochin Developers Private Limited
Greater Cochin Properties Private Limited
Greater Cochin Realtors Private Limited
Ilbr Consultants Private Limited
Hill And Menon Securities Private Limited
Ilupur Builders Private Limited
Ilupur Developers Private Limited
Ilupur Properties Private Limited
Ilupur Real Estate Private Limited
Ilupur Realtors Private Limited
Indeset Electromechanical Private Limited
Indeset Steel Private Limited
Kaloor Realtors Private Limited
Kaveripuram Developers Private Limited
Kilai Builders Private Limited
Kilai Properties Private Limited
Kilai Super Developers Private Limited
Kottaiyur Developers Private Limited
Kottaiyur Real Estates Private Limited
Kottaiyur Realtors Private Limited
Kuthavakkam Builders Private Limited
Kuthavakkam Developers Private Limited
Kuthavakkam Properties Private Limited
Kuthavakkam Realtors Private Limited
Lotus Manpower Consultants Services Private Limited
Mamballi Builders Private Limited
Mannur Builders Private Limited
Mannur Properties Private Limited
Mannur Real Estate Private Limited
Mapedu Builders Private Limited
Mapedu Real Estates Private Limited
Mapedu Realtors Private Limited
Marina Realtors Private Limited
Sobha Tambaram Developers Limited
(formerly known as Megatech Software Private Limited)
Moolamcode Traders Private Limited
Nasarpet Developers Private Limited

Other Related Parties :

Pallavur Projects Private Limited
Paramakudi Properties Private Limited
Perambakkam Builders Private Limited
PNC Switchgears Private Limited
Perambakkam Properties Private Limited
Pillaiyakkam Properties Private Limited
Pillaiyakkam Builders Private Limited
PNC Lighting Solutions Private Limited
PNC Technologies Private Limited
Punkunnam Builders And Developers Private Limited
Puzhakkal Developers Private Limited
Red Lotus Facility Services Private Limited
Red Lotus Metal Works Facilities And Services Private Limited
Red Lotus Realtors Private Limited
Royal Interiors Private Limited
Rusoh Fine Builders Private Limited
Rusoh Home Developers Private Limited
Rusoh Marina Properties Private Limited
Rusoh Modern Builders Private Limited
Rusoh Modern Developers Private Limited
Rusoh Modern Properties Private Limited
S.B.G Housing Private Limited
Santhavellur Builders Private Limited
Santhavellur Developers Private Limited
Santhavellur Realtors Private Limited
Sengadu Builders Private Limited
Sengadu Developers Private Limited
Sengadu Properties Private Limited
Sengadu Realestates Private Limited
Sengadu Realtors Private Limited
Sobha Academy Private Limited
Sobha Assets Private Limited
Sobha Aviation And Engineering Services Private Limited
Sobha Contracting Private Limited
Sobha Electro Mechanical Private Limited
Sobha Glazing And Metal Works Private Limited
Sobha Highrise Ventures Private Limited
Sobha Hitechcity Developers Private Limited
Sobha Innercity Technopolis Private Limited
Sobha Interiors Private Limited
Sobha Jewellery Private Limited
Sobha Mapletree Developers Private Limited
Sobha Projects And Trade Private Limited
Sobha Putavankara Aviation Private Limited
Sobha Renaissance Information Technology Private Limited
Sobha Space Private Limited
Sobha Technocity Private Limited
Sri Durga Devi Property Management Private Limited
Sri Kanakadurga Property Developers Private Limited
Sri Parvathy Land Developers Private Limited
Sunbeam Projects Private Limited
Technobuild Developers Private Limited
Thakazhi Developers Private Limited
Thakazhi Realtors Private Limited
Sobha Nadambakkam Developers Limited
(formerly known as Tirur Cybercity Developers Private Limited)
Thiruchour Developers Private Limited
Tirur Cyber Real Estates Private Limited

Nasarpet Properties Private Limited
Nasarpet Realtors Private Limited
Navabhusan Properties And Developers Private Limited
Objective Systems Integrators India Private Limited
Oman Builders Private Limited
Padma Lochana Enterprises Private Limited
Palani Properties Private Limited

Thiruchour Builders Private Limited
Valasai Vettikadu Builders Private Limited
Valasai Vettikadu Properties Private Limited
Valasai Vettikadu Real Estate Private Limited
Sri Kurumba Trust
Lotus Manpower Services

b) Transactions with Related Parties

| Nature of transaction | Description of relationship | Name of the Related party | 31-Mar-17 | 31-Mar-16 |
|-------------------------------------|-----------------------------|--|-----------|-----------|
| | | | ₹ million | ₹ million |
| Balance Receivable | Other Related Parties | Technobuild Developers Private Limited | 3.658 | 3.658 |
| | Partner | Sobha Limited | 192.267 | 121.410 |
| Purchase of goods and | Partner | Sobha Limited | 140.081 | 521.534 |
| | Partner | Sobha Limited | 34.500 | 25.686 |
| Balance Payable | Other Related Parties | Sobha Projects and Trade P Limited | 13.113 | 13.113 |
| Rent & Maintenance charges Received | Partner | Sobha Limited | 1.978 | - |
| Interest Cross charged | Partner | Sobha Limited | 41.679 | - |
| Inter-corporate Deposit given | Partner | Sobha Limited | 744.000 | - |
| Current Account amount Received | Partner | Sobha Limited | 299.080 | 1,199.928 |
| Share of Profit | Partner | Sobha Limited | (108.955) | 83.347 |
| | | Sobha Developers Pune Limited | (1.101) | 0.842 |
| Current account Balance Payable | Partner | Sobha Limited | 1,927.127 | 1,737.002 |
| | | Sobha Developers Pune Limited | 4.389 | 5.490 |
| Guarantees Received | Partner | Sobha Limited | 744.000 | 291.667 |
| | | Sobha Developers Pune Limited | | |
| | Subsidiaries | Vayloor Builders Private Limited | | |
| | | Vayloor Developers Private Limited | | |

30. Fair value measurements

a) The carrying value of financial instruments by categories is as follows:

| Particulars | As at March 31, 2017 | | | As at March 31, 2016 | | | As at April 1, 2015 | | |
|--------------------------------|----------------------|-----------------------------------|-------------------|----------------------|-----------------------------------|-------------------|---------------------|-----------------------------------|-------------------|
| | At Cost | Fair value through profit or loss | At Amortised Cost | At Cost | Fair value through profit or loss | At Amortised Cost | At Cost | Fair value through profit or loss | At Amortised Cost |
| Financial assets | | | | | | | | | |
| Loans | - | - | - | - | - | - | - | - | - |
| Trade receivables | - | - | 131,983 | - | - | 94,189 | - | - | 77,740 |
| Cash and cash equivalents | - | - | 19,864 | - | - | 30,929 | - | - | 49,035 |
| Other current financial assets | - | - | 51,119 | - | - | 125,866 | - | - | 213,472 |
| Total | - | - | 202,966 | - | - | 250,985 | - | - | 340,247 |
| Financial liabilities | | | | | | | | | |
| Borrowings | - | - | - | - | - | 291,667 | - | - | 1,105,009 |
| Trade payables | - | - | 7,954 | - | - | 5,324 | - | - | 1,606 |
| Other financial liabilities | - | - | 121,074 | - | - | 74,354 | - | - | 183,507 |
| Total | - | - | 129,028 | - | - | 371,345 | - | - | 1,290,122 |

₹ million

b) Fair value hierarchy

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

| Particulars | As at March 31, 2017 | | | As at March 31, 2016 | | | As at April 1, 2015 | | |
|---|----------------------|------------|---------|----------------------|------------|---------|---------------------|------------|---------|
| | Carrying amount | Fair value | | Carrying amount | Fair value | | Carrying amount | Fair value | |
| | | Level 1 | Level 2 | | Level 3 | Level 1 | | Level 2 | Level 1 |
| Assets for which fair value are disclosed | | | | | | | | | |
| | 1,918,622 | - | - | 2,805,000 | 1,937,906 | - | 2,805,000 | - | - |
| | 1,918,622 | - | - | 2,805,000 | 1,937,906 | - | 2,805,000 | - | - |
| | | | | | | | | | |

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities in ₹ million

₹ million

Notes:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

There have been no transfers between the levels during the period.

For financial assets & liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

31 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 to support its operations. The Group's principal financial assets include trade and other receivables and cash and 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 Management Committee /Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

A 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. Financial instruments affected by market risk include loans and borrowings.

The sensitivity analyses in the following section relate to the position as at March 31, 2017 and March 31, 2016.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2017 and March 31, 2016.

a. 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 short-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group does not enter into any interest rate swaps.

Interest rate sensitivity

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

| | | ₹ million |
|-----------------------|-----------|----------------------------------|
| | Increase/ | Effect on profit before tax * |
| March 31, 2017 | | |
| INR | +1% | 4.44 |
| INR | -1% | (4.44) |
| March 31, 2016 | | |
| INR | +1% | 5.66 |
| INR | -1% | (5.66) |

* determined on gross basis i.e. with out considering inventorisation of such borrowing cost.

B 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 investing activities (short term bank deposits).

Trade receivables

(a) Receivables resulting from sale of properties: Customer credit risk is managed by requiring customers to pay advances before transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

(b) Receivables resulting from leasing of properties: Group has established credit limits for customers and monitors their balances on an on-going basis. Credit appraisal is performed by the management before lease agreements are entered into with customers. The risk is also mitigated due to customers placing significant amount of security deposits for lease and fit-out rentals.

Financial instrument and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Management Committee/Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2017 and 2016 is the carrying amounts.

At the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

C Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

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

| | | | | | | ₹ million |
|----------------------------------|----------------|--------------------|----------------|--------------|-----------|------------------|
| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
| Year ended March 31, 2017 | | | | | | |
| Borrowings | - | - | - | - | - | - |
| Other financial liabilities | 47.613 | 6.673 | 9.00 | 57.79 | - | 121.074 |
| Trade and other payables | - | 7.954 | - | - | - | 7.954 |
| | 47.613 | 14.627 | 9.00 | 57.79 | - | 129.028 |
| Year ended March 31, 2016 | | | | | | |
| Borrowings | - | 291.67 | - | - | - | 291.667 |
| Other financial liabilities | 38.799 | 2.016 | - | 33.54 | - | 74.354 |
| Trade and other payables | - | 5.324 | - | - | - | 5.324 |
| | 38.799 | 299.007 | - | 33.54 | - | 371.345 |
| As at April 1, 2015 | | | | | | |
| Borrowings | - | 696.675 | 408.333 | - | - | 1,105.009 |
| Other financial liabilities | 178.617 | 4.890 | - | - | - | 183.507 |
| Trade and other payables | - | 1.606 | - | - | - | 1.606 |
| | 178.617 | 703.171 | 408.333 | - | - | 1,290.122 |

32 Capital management

For the purpose of the Group's capital management, capital includes issued partners capital, 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 payment to partners, return capital to Partners 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 and other payables, less cash and cash equivalents.

| | ₹ million | | |
|---|------------------|------------------|------------------|
| | 31-Mar-17 | 31-Mar-16 | 01-Apr-15 |
| Borrowings (Note 15) | 732.000 | 291.667 | 1,105.009 |
| Trade payables (Note 12) | 7.954 | 5.324 | 1.606 |
| Other payables (Note 13 and Note 14) | 830.461 | 683.064 | 887.963 |
| Less: Cash and cash equivalents (Note 7) | -19.864 | -30.929 | 49.035 |
| Net debt | 1,550.551 | 949.125 | 1,945.542 |
| Partners Capital (Note 10) | 400.000 | 400.000 | 400.000 |
| Partners Current account and Other Equity (Note 11) | 1,945.322 | 1,756.319 | 472.184 |
| Total capital | 2,345.322 | 2,156.319 | 872.184 |
| Capital and net debt | 3,895.872 | 3,105.444 | 2,817.727 |
| Gearing ratio | 39.80% | 30.56% | 69.05% |

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 March 31, 2017 and March 31, 2016.

33 First-time adoption of Ind AS

These financial statements, for the year ended March 31, 2017, are the first the Group has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2016, the Group prepared its 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 financial statements which comply with Ind AS applicable for periods ending on March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening balance sheet was prepared as at April 1, 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 financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Reconciliation of total equity between previous GAAP and Ind AS

There are no reconciling items between the equity for the previous year under the previous GAAP with the equity as reported under IND AS as at March 31, 2016 and April 1, 2015.

Reconciliation of Total Comprehensive income for the year ended March 31, 2016

There are no reconciling items between the net profit under previous GAAP and the total comprehensive income as reported in these financial results under Ind AS.

34 Standards issued but not effective

The standards issued, but not effective up to the date of issuance of the financial statements is disclosed below. In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' The Company intends to adopt this standard and amendments when it becomes effective.

Ind AS 115 - Revenue from Contracts with Customers

Ind AS 115 was issued in February 2016 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This standard will come into force from accounting period commencing on or after April 1, 2018. The Company will adopt the new standard on the required effective date. The directors of the Company anticipate that the application of the standard will be applicable only to certain streams of revenue and will not have a material impact on the financial statements.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The amendments are effective for annual reporting periods beginning on or after April 1, 2017. The Company is currently evaluating the requirements of the amendment and has not yet determined the impact on the financial statements.

Amendment to Ind AS 102:

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. The amendments are effective for annual reporting periods beginning on or after April 1, 2017. The Company is currently evaluating the requirements of the amendment and has not yet determined the impact on the financial statements.

34 Prior year comparatives

The figures of the previous year have been regrouped/reclassified, where necessary, to conform with the current year's classification.

As per our report of even date

For S.Janardhan & Associates
Firms' Registration No.0053105
Chartered Accountants

For and on behalf of the Management Committee of
Sobha City

B.Anand
Partner
Member Ship No.29146

Jagadish Chandra Sharma
Partner

M Radhakrishnan
Partner

Place: Bengaluru, India
Date: 15th May,2017

Place: Bengaluru, India
Date: 15th May,2017