KBJ Hotels And Restaurants Private Limited

Special Purpose Audit Report

GKDJ & ASSOCIATES

CHARTERED ACCOUNTANTS

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GKDJ & Associates
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KBJ Hotels and Restaurants Private Limited

Report on the Special Purpose IND AS Financial Statements

1. Opinion

1.1. We have audited the accompanying financial statements of KBJ Hotels and Restaurants Private Limited ("the Company") which comprises Balance sheet as at **March 31, 2024 and Restated Balance sheet as at March 31, 2023 And March 31, 2022** and the Statement of Profit & Loss (including Other Comprehensive Income) for the financial year ended 31st March 2024 and Restated Statement of Profit & Loss (including Other Comprehensive Income) for the financial years ended 31st March 2023 and 31st March 2022 , and notes to the financial statements`, including a summary of significant accounting policies and other explanatory information for the financial years then ended.

1.2. In our opinion the accompanying financial statements of the Company are prepared in all material respects, in accordance with the Indian Accounting Standards "IND AS" and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the "IND AS" and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2024, and Loss and Other Comprehensive income, Changes in Equity for the period 1st April 2023 to 31st March 2024.

2. Basis for Opinion

2.1. We conducted our audit in accordance with the Standards on Auditing. Our responsibilities under those Standards on Auditing are further described in the Auditor's Responsibilities for the Audit of the Special purpose Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the ICAI and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

2.2. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

GKDJ & Associates
PUNE
Chartered Accountants

3. **Emphasis of Matter**

We draw attention to Note 2 to the Special Purpose IND AS Financial Statements, which describes the basis of preparation (including presentation) of these Financial Statements. The Financial Statements have been prepared for the purpose of preparation of the Unaudited Proforma Financial Information which are being prepared for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP") to be prepared by Ventive Hospitality Private Limited (formerly known as ICC Realty (India) Private Limited) ("the Issuer") for filing with SEBI, in connection with the proposed IPO, pursuant to the requirement of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "ICDR Regulations"). As a result, the Special Purpose IND AS Financial Statements may not be suitable for another purpose.

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

4. **Other Matter**

We draw attention to the fact that the figures for the previous fiscal years were audited by different statutory auditors.

3.1. The Financial Statements (FS) for the fiscal years 2020-21 and 2021-22, which were audited by S. M. Bhat and Associates, were prepared in accordance with the accounting standards notified under the Companies Act, 2013. S. M. Bhat and Associates expressed an unmodified opinion on those financial statements. These statements have now been restated to reflect the adjustments required under Indian Accounting Standards (IND AS).

3.2. The Financial Statements for the fiscal year 2022-23 were audited by Satyaprakash and Company, prepared in accordance with the accounting standards notified under the Companies Act, 2013. Satyaprakash and Company expressed an unmodified opinion on these financial statements. These statements have also been restated to reflect the adjustments required under Indian Accounting Standards (IND AS).

3.3. Consequently, our engagement does not include an audit of the prior years' financial statements but as to report on Restated Financial Statement have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial year ended 31 March 2022 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the financial year ended 31 March 2023;

The auditor's opinion is not modified in respect of the above matters.

GKDJ & Associates * Chartered Accountants * PUNE

5. **Responsibility of Management and Those Charged with Governance for the Financial Statements**
    5.1. The Company maintains its books of accounts in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") comprising the mandatory accounting standards Including the Indian Accounting standards (INDAS) specifies under section 133 of the act.
    5.2. Management is responsible for the preparation of the financial statements in accordance with the Indian Accounting Standards (IND AS). This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
    5.3. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.
    5.4. Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. **Auditor's Responsibility for the Audit of the Special Purpose IND AS Financial Statements**

    6.1. Our objectives are to obtain reasonable assurance about whether the Special Purpose IND AS Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

    6.2. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
        6.2.1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

GKDJ & Associates * Chartered Accountants PUNE resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

6.2.2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing opinion on effectiveness of the Company's internal control.

6.2.3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

6.2.4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

6.3. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

6.4. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

7. Basis of accounting and Restriction on Distribution and Use

7.1. Without modifying our opinion, we draw attention to point that the Special Purpose IND AS Financial Statements are prepared in accordance with special purpose framework, to comply with terms of engagement with the company. As a result, the financial statements may not be suitable for another purpose.

7.2. This report is intended for the information and use by:

7.2.1. The Issuer for the purpose of preparation of the Proforma Financial Information which are being prepared for the purpose of inclusion in the DRHP to be filed with SEBI pursuant to ICDR Regulations

7.2.2. The auditors of the Issuer in connection with their report on the compilation of Unaudited Proforma Financial Information to be included in the DRHP of

GKDJ & Associates * Chartered Accountants * PUNE the Issuer; and should not be used by or distributed to, anyone for any other purpose

7.3. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by the Previous Auditors, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

7.4. We have no responsibility to update our report for events and circumstances occurring after the date of this examination report.

For **GKDJ & Associates**
CHARTERED ACCOUNTANTS
ICAI Firm Reg. No.134509W

GKDJ & Associates PUNE Chartered Accountants

Kusai Goawala
M. No. 039062
Partner
UDIN : 24039062BKCPXE9595

Place: Pune
Date: 19th August, 2024

KBJ HOTEL AND RESTAURANTS PRIVATE LIMITED

Special Purpose Balance sheet as at March 31, 2024

(All amounts are in Indian Rupees million, unless otherwise stated)

	Notes	March 31, 2024	March 31, 2023	March 31, 2022	April 1, 2021
ASSETS					
Non-current assets					
Property, plant and equipment	3	217.03	217.28	217.62	218.06
Capital work-in-progress	3	349.65	348.91	348.80	348.40
Investment in other assets	7	-	-	60.00	60.00
Financial assets					
Investments	4	8.00	-	-	-
		574.68	**566.19**	**626.42**	**626.46**
Current assets					
Financial assets					
Cash and cash equivalents	9	1.91	0.20	0.20	0.21
Loans	5	-	-	-	0.03
Other financial assets	6	0.03	0.03	0.03	0.03
Other current assets	8	0.31	-	0.00	0.00
		2.25	**0.23**	**0.23**	**0.27**
TOTAL		**576.93**	**566.42**	**626.65**	**626.73**
EQUITY AND LIABILITIES					
Equity					
Equity share capital	10	125.00	125.00	95.00	95.00
Other equity	11	81.13	192.71	69.50	65.49
		206.13	**317.71**	**164.50**	**160.49**
Current liabilities					
Financial liabilities					
Borrowings	12	359.10	239.52	384.05	388.16
Trade payables					
- Total outstanding dues of micro enterprises and small enterprises	14	-	-	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	14	0.16	0.17	0.21	0.20
Other financial liabilities	13	-	-	69.85	69.85
Other current liabilities	15	2.52	0.00	8.04	8.03
Current Tax Liabilities (Net)		9.02	9.02	-	-
		370.80	**248.71**	**462.15**	**466.24**
Total liabilities		**370.80**	**248.71**	**462.15**	**466.24**
TOTAL		**576.93**	**566.42**	**626.65**	**626.73**

See accompanying notes to the special purpose Ind AS financial statement Note 1-28

The accompanying notes are an integral part of the special purpose Ind AS financial statements.

As per our report of even date.

For GKDJ & Associates
Chartered Accountants
ICAI Firm Registration No.: 134509W

Kusai Goawala
Partner
Membership no. 039062
Place: Pune
Date : August 19, 2024

GKDJ & Associates * Chartered Accountants * PUNE

For and on behalf of the Board of Directors of
KBJ Hotel And Restaurants Private Limited

Darshan Chordia
Director
DIN: 07080625
Place: Pune
Date : August 19, 2024

KBJ HOTELS & RESTAURANTS PVT. LTD.

Chetan Chordia
Director
DIN: 08574890
Place: Pune
Date : August 19, 2024

KBJ HOTEL AND RESTAURANTS PRIVATE LIMITED (All amounts are in Indian Rupees million, unless otherwise stated)

Special Purpose Statement of Profit(loss) and loss for the year ended March 31, 2024

	Notes	March 31, 2024	March 31, 2023	March 31, 2022
Income				
Other income	16	-	132.77	4.50
Total income (I)		**-**	**132.77**	**4.50**
Expenses				
Other expenses	17	0.31	0.20	0.05
Total expenses (II)		**0.31**	**0.20**	**0.05**
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)		**(0.31)**	**132.57**	**4.45**
Finance costs	19	111.02	0.00	0.00
Depreciation and amortisation expense	18	0.25	0.34	0.44
		111.27	**0.34**	**0.44**
Profit/(Loss) before tax		**(111.58)**	**132.23**	**4.01**
Tax expenses:	21			
Current tax		-	9.02	-
Deferred tax		-	-	-
Total tax expenses		**-**	**9.02**	**-**
Profit/(Loss) for the year		**(111.58)**	**123.21**	**4.01**
Other comprehensive income				
Other comprehensive income not to be reclassified to Profit(loss) or loss in subsequent periods		-	-	-
Other comprehensive income to be reclassified to Profit(loss) or loss in subsequent periods		-	-	-
		-	-	-
Total comprehensive income/(loss) for the year, net of tax		**(111.58)**	**123.21**	**4.01**
Earnings per equity share				
Basic and diluted (in INR)	20	(89.26)	121.20	4.22
See accompanying notes to the special purpose Ind AS financial statement	Note 1-28			

The accompanying notes are an integral part of the special purpose Ind AS financial statements.
As per our report of even date.

For GKDJ & Associates
Chartered Accountants
ICAI Firm Registration No.: 134509W

GKDJ & Associates Chartered Accountants PUNE

Kusai Goawala
Partner
Membership no. 039062
Place: Pune
Date : August 19, 2024

For and on behalf of the Board of Directors of
KBJ Hotel And Restaurants Private Limited

KBJ HOTELS & RESTAURANTS PVT. LTD.

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Chetan Chordia
Director
DIN: 08574890
Place: Pune
Date : August 19, 2024

KBJ HOTEL AND RESTAURANTS PRIVATE LIMITED

Special Purpose Statement of changes in equity for the year ended March 31, 2024

(All amounts are in Indian Rupees million, unless otherwise stated)

A. Equity share capital

Particulars	Face value (Rs in Million)				Shares in Numbers			
	March 31, 2024	March 31, 2023	March 31, 2022	April 1, 2021	March 31, 2024	March 31, 2023	March 31, 2022	April 1, 2021
At the beginning of the year	125.00	95.00	95.00	95.00	1,250,000	950,000	950,000	950,000
Changes in equity share capital during the year	-	30.00	-	-	-	300,000	-	-
At the end of the year	**125.00**	**125.00**	**95.00**	**95.00**	**1,250,000**	**1,250,000**	**950,000**	**950,000**

B. Other equity

	Reserves and surplus		
	Securities Premium	Retained earnings	Total
Balance as at March 31, 2020	-	-	-
Profit for the year	-	4.01	4.01
Other comprehensive income	-	-	-
Total comprehensive income for the year ended March 31, 2021	-	**4.01**	**4.01**
Transferred to capital redemption reserve			-
Less: Utilised towards buy back of shares			-
Less: Utilised for Dividend			-
Less: Tax on Dividend			-
Less: Tax on Buy back of shares			-
Balance as at April 1, 2021	**189.00**	**(123.51)**	**65.49**
Profit for the year	-	4.01	**4.01**
Other comprehensive income	-	-	-
Total comprehensive income for the year ended March 31, 2022	-	**4.01**	**4.01**
Transferred to capital redemption reserve			-
Less: Utilised towards buy back of shares			-
Less: Utilised for Dividend			-
Less: Tax on Dividend			-
Less: Tax on Buy back of shares			-
Balance as at March 31, 2022	**189.00**	**(119.50)**	**69.50**
Profit for the year	-	123.21	123.21
Other comprehensive income	-	-	-
Total comprehensive income for the period ended March 31, 2023	-	**123.21**	**123.21**
Transferred to capital redemption reserve			-
Less: Utilised towards buy back of shares			-
Less: Utilised for Dividend			-
Less: Tax on Dividend			-
Less: Tax on Buy back of shares			-
Balance as at March 31, 2023	**189.00**	**3.71**	**192.71**
Loss for the year	-	(111.58)	(111.58)
Other comprehensive income	-	-	-
Total comprehensive income for the period ended September 30, 2022	-	**(111.58)**	**(111.58)**
Transferred to capital redemption reserve			-
Less: Utilised towards buy back of shares			-
Less: Utilised for Dividend			-
Less: Tax on Dividend			-
Less: Tax on Buy back of shares			-
Balance as at March 31, 2024	**189.00**	**(107.87)**	**81.13**

The accompanying notes are an integral part of the special purpose Ind AS financial statements.

As per our report of even date.

For GKDJ & Associates
Chartered Accountants
ICAI Firm Registration No.: 134509W

Kusai Goawala
Partner
Membership no. 039062
Place: Pune
Date : August 19, 2024

GKDJ & Associates * Chartered Accountants * PUNE

For and on behalf of the Board of Directors of
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DIN: 07080625
Place: Pune
Date : August 19, 2024

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DIN: 08574890
Place: Pune
Date : August 19, 2024

KBJ HOTELS & RESTAURANTS PVT. LTD. *

KBJ HOTEL AND RESTAURANTS PRIVATE LIMITED

Special purpose Statement of cash flow for the year ended March 31, 2024

(All amounts are in Indian Rupees million, unless otherwise stated)

	March 31, 2024	March 31, 2023	March 31, 2022
A. Cash flows from operating activities			
Profit/(loss) before tax	**(111.58)**	**132.23**	**4.01**
Adjustments for:			
Liability no longer required written back	-	(71.23)	(4.50)
Depreciation and amortisation	0.25	0.34	0.44
Profit on sale of investment	-	(61.54)	-
Finance costs	111.02	0.00	0.00
Operating profit before working capital changes	**(0.31)**	**(0.20)**	**(0.05)**
Movements in working capital :			
(Increase) / decrease in loans	-	-	0.03
(Increase) / decrease in other current assets	(0.31)	0.00	-
Increase / (decrease) in trade payables	(0.01)	(0.07)	0.01
Increase / (decrease) in other current liabilities	0.07	-	0.01
Cash generated from/(used in) operations	**(0.56)**	**(0.28)**	**0.00**
Direct taxes paid (net of refunds)	-	-	-
Net cash flow used in operating activities (A)	**(0.56)**	**(0.28)**	**0.00**
B. Cash flows from investing activities			
Payments towards purchase of property and capital work in progress	(0.74)	(0.11)	(0.40)
Purchases of units of mutual funds	(8.00)	-	-
Net cash used in investing activities (B)	**(8.74)**	**(0.11)**	**(0.40)**
C. Cash flows from financing activities			
Net proceeds from short-term borrowings	97.51	0.38	0.39
Interest paid	(86.50)	-	-
Net cash flow generated from financing activities (C)	**11.01**	**0.38**	**0.39**
Net increase/(decrease) in cash and cash equivalents (A + B + C)	**1.71**	**(0.00)**	**(0.01)**
Cash and cash equivalents at the beginning of the year	0.20	0.20	0.21
Cash and cash equivalents at the end of the year	**1.91**	**0.20**	**0.20**
Cash and cash equivalents include			
Balances with banks	1.88	0.02	0.02
Cash on hand	0.03	0.18	0.18
Total cash and cash equivalents (refer note 9)	**1.91**	**0.20**	**0.20**

The accompanying notes are an integral part of the special purpose Ind AS financial statements.

As per our report of even date.

For GKDJ & Associates
Chartered Accountants
ICAI Firm Registration No.: 134509W

Kusai Goawala
Partner
Membership no. 039062
Place: Pune
Date : August 19, 2024

GKDJ & Associates PUNE Chartered Accountants

For and on behalf of the Board of Directors of
KBJ Hotel And Restaurants Private Limited

Darshan Chordia
Director
DIN: 07080625
Place: Pune
Date : August 19, 2024

KBJ HOTELS & RESTAURANTS PVT. LTD.

Chetan Chordia
Director
DIN: 08574890
Place: Pune
Date : August 19, 2024

Notes to the Special Purpose Ind AS financial statements

1. Corporate Information

KBJ Hotel And Restaurants Private Limited (the Company) is registered on 28th April 2008 under the Companies Act 1956 having it's registered office at 20th Floor, Express Towers, Nariman Point, Mumbai, Mumbai, Maharashtra, India, 400021 to carry on the business of real estate. The corporate Identity number of the company is U55101MH2008PTC181674. The Company is in the process of construction of a Hotel in Varanasi.

2 Basis of preparation

The Special Purpose Ind AS Financial Statements of the Company, which comprises the Special Purpose Ind AS Balance Sheets as at March 31,2024, March 31, 2023 and as at March 31, 2022, the Special Ind AS Statements of Profit and Loss including Other Comprehensive Income, the Special Purpose Ind AS Statements of Cash Flows and the Special Purpose Ind AS Statement of Changes in Equity for the years ended March 31, 2024, March 31, 2023 and March 31, 2022, and notes to the Special Purpose Ind AS Financial Statements, including a summary of material accounting policies and other explanatory information (collectively the "Special Purpose Ind AS Financial Statements") have been prepared using basis of preparation and using the accounting principles under the Indian Accounting Standards as notified under section 133 of the Companies Act 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules 2015, as amended ('Ind AS').

These Special Purpose Ind AS Financial Statements of the Hotel Business are being prepared for the purpose of preparation of the Unaudited Proforma Financial Information which are being prepared for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP") to be prepared by Ventive Hospitality Private Limited (formerly known as ICC Realty (India) Private Limited) ("the Issuer") for filing with SEBI, in connection with the proposed IPO, pursuant to the requirement of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "ICDR Regulations"). As a result, these Special Purpose Ind As Financial Statements may not be suitable for another purpose.

The Special Purpose Ind AS financial statements of the Company as at and for the years ended March 31, 2024, March 31, 2023 and March 31, 2022 were approved by the Board of Directors of the Company on August 19, 2024.

2.1 Summary of material accounting policies

a. Significant accounting judgements, estimates and assumptions

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

b.Estimates and assumptions

The Company 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 beyond the Company's control. Such changes are reflected in the assumptions when they occur.

c.Current versus non-current

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is classified as a current asset when it is either:
- Expected to be realised or intended to sold or consumed in the 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 it is 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 assets.

A liability is classified as a current liability when either:
- It is expected to be settled in the 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.

All other liabilities are classified as non-current. Deferred tax assets/ (liabilities) are classified as non-current assets/ (liabilities).

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

KBJ HOTEL & RESTAURANTS PVT. LTD.

GKDJ & Associates Chartered Accountants PUNE

d. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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 recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes
- Significant accounting judgements, estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortized cost)

The Company's management determines the policies and procedures for both recurring fair value measurement, such unquoted financial assets measured at fair value, and for non-recurring measurement, such as non-current assets held for sale.

External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

e.Taxes

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the Profit or Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

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

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

GKDJ & Associates * Chartered Accountants * PUNE

KBJ HOTELS & RESTAURANTS PVT. LTD. *

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

f. Property, plant and equipment

Property, plant and equipment and capital work in progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises of purchase price, directly attributable cost of bringing the asset to its working condition for the intended use and borrowing costs, if the recognition criteria are met.

The cost also include initial estimate of decommissioning, restoring and similar liabilities. Any trade discount or rebate are deducted in arriving at purchase price. Such cost include the cost of replacing parts of property, plant and equipment.

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

Depreciation is calculated on a written down value basis using the rates arrived at, based on the management's estimated useful lives. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset. The Company has used the useful lives prescribed under Schedule II to the Companies Act, 2013 to provide depreciation on its property, plant and equipment.

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

The management undertakes a review of the residual values, useful lives and methods of depreciation of property, plant and equipment at the end of each reporting period and adjustments are made whenever necessary.

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Notes to the Special Purpose Ind AS financial statements

g.Borrowings costs

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

h. 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

Classification

Financial assets are classified as subsequently measured at amortised cost, fair value through comprehensive income ('FVOCI') or fair value through other profit or loss ('FVTPL').

Initial recognition and measurement

Financial assets are recognised initially at fair value plus, in the case of financial assets not classified as fair value through profit or loss ('FVTPL'), transaction costs that are attributable to the acquisition of the financial asset. Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised using trade date or settlement date accounting.

Subsequent measurement

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

a) At amortised cost

b) At fair value through Other Comprehensive Income ('FVTOCI')

c) At fair value through profit or loss ('FVTPL')

Financial assets classified as measured at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. 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 expense/ (income) in the profit and loss statement. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade receivables, security and other deposits receivable by the company.

Financial assets classified as measured at FVOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such instruments are measured at fair value at initial recognition as well as at each reporting date fair value movements are recognised in the Other Comprehensive Income ('OCI'). Interest income, impairment losses and reversals and foreign exchange gain or loss are recognised in the statement of profit and loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss. Interest earned on such instruments is reported as interest income using the EIR method.

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