

## **INSPIRE INDIA PROPERTIES LIMITED**

### **Notes to financial statements for the year ended 31 March 2014**

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

Inspire India Properties Limited is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company was incorporated on 21 March 2012 and obtained its Certificate for Commencement of Business on 27 April 2012. The company is engaged in the business of acquisition, development, management, marketing and sale of real estate properties both in India and abroad.

#### **2. Basis of preparation**

The financial statements of the company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

#### **2.1. Summary of significant accounting policies**

##### **a) Use of Estimates**

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

##### **b) Tangible fixed assets**

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

##### **c) Intangible fixed 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.

##### **d) Depreciation and amortization**

Depreciation on tangible assets is provided for on the Written down value method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the tangible assets are sold or disposed.

Amortization of intangible assets is provided for on the Written down value method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956.

**INSPIRE INDIA PROPERTIES LIMITED****Notes to financial statements for the year ended 31 March 2014 (continued.....)****e) Impairment of tangible and intangible assets**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognised for the asset in prior years.

**f) Investments**

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

**g) Valuation of inventories**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Land held as Inventory/Traded finished good : Actual Cost

**h) Revenue recognition**

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

All other items of income are accounted on accrual basis except interest on Income Tax refund and dividend income which are accounted on receipt basis.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and then carrying value of the investment.

**i) Employee Benefits****Short Term Employees Benefits:**

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives.

**j) Income tax expense**

Income tax expense comprises current tax and deferred tax charge or credit.

**Current tax:**

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company 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 company recognizes MAT credit as an asset in accordance with the Guidance Note on accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act,

**INSPIRE INDIA PROPERTIES LIMITED****Notes to financial statements for the year ended 31 March 2014 (continued.....)**

1961, the said asset is created by way of credit to the statement of profit & loss and shown as “MAT credit Entitlement”.

The company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**Deferred tax:**

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

**k) Foreign currency transactions and balances**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

**l) Leases**

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on straight line basis over the useful life of the asset as envisaged in schedule XIV to the Companies Act, 1956. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight line basis over the shorter of lease term or the useful life envisaged in Schedule XIV to Companies Act, 1956.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**m) Borrowing costs**

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

**n) Provisions and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

**INSPIRE INDIA PROPERTIES LIMITED****Notes to financial statements for the year ended 31 March 2014 (continued.....)****o) Earnings per share**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

p) Accounting policies, which are not specifically referred to, are consistent with generally accepted accounting policies.

21. Contingent liabilities not provided for: ` Nil (31 March 2013: Nil)

22. Value of imports calculated on CIF basis: ` Nil (31 March 2013: Nil)

23. A) Expenditure in foreign currency: ` Nil (31 March 2013: Nil)

B) Earnings in foreign currency: ` Nil (31 March 2013: Nil)

24. Balances of loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.

25. In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.

26. The Company's significant leasing arrangements are in respect of operating leases for Guest houses and office premises. These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under note 19.

The company also uses another office premises that is leased under non-cancellable operating lease. The company has commitment under non-cancellable operating lease (exclusive of service tax) as follows:

<b>Minimum Lease Payment</b>	<b>31 March 2014</b>	<b>31 March 2013</b>
Due within one year	2,95,020	2,50,056
Due later than one year and not later than five years	9,19,970	10,81,280
Due later than five years	-----	-----

Lease payments (exclusive of service tax) recognized in the statement of profit & loss as rent under note 19.

<b>Rent paid</b>	<b>31 March 2014</b>	<b>31 March 2013</b>
On account of Non-cancellable lease	2,80,968	41,676
On account of Cancellable Lease -	5,43,480	3,02,352

**27. Related party disclosures:****A. Name of the related parties and related party relationship**

Related parties with whom transactions have taken place during the year: (As identified by the Management and relied upon by auditors)



**INSPIRE INDIA PROPERTIES LIMITED****Notes to financial statements for the year ended 31 March 2014 (continued.....)****Particulars of Related Party Transactions**

<b>Particulars</b>	<b>31 March 2014 Amount `</b>	<b>31 March 2013 Amount `</b>
Managerial remuneration:		
Mr. Sharanabasappa C Patil	3,00,000	2,75,000
Mr. Velloor Balakrishna	-----	-----
Mr. Krishnappa Chinnappa	3,00,000	2,75,000
Mr. Danappa Irappa Tadasalur	3,00,000	2,75,000
Lease rent for infrastructures:		
Inspire India Financial Solutions Private Limited	3,37,080	6,20,000

**The Company has the following amounts due from/to related parties**

<b>Particulars</b>	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>Amount `</b>	<b>Amount `</b>
Due to Key Managerial personnel (included in current liabilities )	3,92,984	3,12,836
Due to Inspire India Financial Solutions Private Limited (included in current liabilities )	30,281	30,000

28. Based on the information available with the company, principal amount due to micro and small enterprises as defined under MSMED Act, 2006 is ` Nil (31 March 2013: Nil). Further interest paid during the year and interest due at the end of the year to micro and small enterprises is ` Nil (31 March 2013: Nil).
29. The company has not provided for gratuity on actuarial basis as required by AS-15 prescribed under the Companies (Accounting Standards) Rules, 2006. The same shall be adjusted in the accounts after getting the actuarial valuation report. The liability is not covered by funding the same.
30. Calculation of EPS (Basic and Diluted)

<b>S.no</b>	<b>Particulars</b>	<b>31 March 2014</b>	<b>31 March 2013</b>
1	Opening No. of Shares	37,66,695	NIL
2	Total Shares Outstanding	41,11,911	37,66,695
3	Weighted average number of shares	40,43,068	15,23,777
4	Net Profit attributable to equity share holders	` (42,23,285)	` (26,64,133)
5	Basic and Diluted EPS	` (1.04)	` (1.75)

31. The company has reclassified previous year figures to conform to current year's classification.

as per our report of even date  
**for M/s T D JAIN AND D I SAKARIA**  
Chartered Accountants  
firm Registration No.002491S

**for and on behalf of the Board**

**Sd/-**  
**DHANPAL I SAKARIA**  
Partner  
M.No.213666

**Sd/-**  
Sharanabasappa C Patil  
Managing Director

**Sd/-**  
Krishnappa C  
Whole-time Director

Place: Bangalore  
Date : 25 July 2014