

**IL&FS INVESTMENT ADVISORS LLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**IL&FS INVESTMENT ADVISORS LLC**

**CORPORATE DATA**

*Date of appointment*

<b>DIRECTORS:</b>	Rubina <b>Toorawa</b>	31 January 2006
	Sudesh <b>Basanta Lala</b>	31 January 2006
	Shahzaad Siraj <b>Dalal</b>	31 January 2006
	Manoj Yeshwant <b>Borkar</b>	31 January 2006
	Mohan Roy <b>Lawrence</b>	26 March 2009

**REGISTERED OFFICE:** IFS Court  
Bank Street  
TwentyEight  
Cybercity  
Ebene 72201  
MAURITIUS

**BRANCH REGISTERED OFFICE:** PO BOX 340508  
AG Tower (Silver) 12F&G  
Jumeirah Lake Towers  
Dubai,UAE

**ADMINISTRATOR:  
AND SECRETARY** International Financial Services Limited  
IFS Court  
Bank Street  
TwentyEight  
Cybercity  
Ebene 72201  
MAURITIUS

**AUDITOR:** Deloitte  
7th Floor, Standard Chartered Tower  
19-21 Bank Street, Cybercity  
Ebene 72201  
MAURITIUS

**BANKER:** HSBC Bank (Mauritius) Limited  
6<sup>th</sup> Floor, HSBC Centre  
18, Cybercity  
Ebene  
MAURITIUS

## **IL&FS INVESTMENT ADVISORS LLC**

### **COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2016**

The directors present their report and the audited financial statements of IL&FS Investment Advisors LLC (the “Company”) for the year ended 31 March 2016.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company is to provide investment management services to IL&FS India Realty Fund LLC (“Fund I”), Tara India Fund III, LLC (“Tara III”), IL & FS India Realty Fund II LLC (“Fund II”), K2 Property Limited (“K2”), Saffron India Real Estate Fund I (“SIREF I”), Tara India Fund IV LLC (“Tara IV”) and the Special Purpose Vehicles of Fund I, Fund II and Tara III. It also acts as coordinator to Yatra Capital Limited.

#### **RESULTS**

The results for the year are shown in the Statement of Profit or Loss and Other Comprehensive Income and related notes.

#### **DIRECTORS**

The present membership of the Board is set out on page 2.

#### **DIRECTORS’ RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **AUDITOR**

The auditor, **Deloitte**, has indicated its willingness to continue in office until the next Annual Meeting.

**CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001**

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of **IL&FS Investment Advisors LLC** under the Mauritius Companies Act 2001 during the financial year ended 31 March 2016.



.....  
**For International Financial Services Limited  
Secretary**

**Registered Office:**

IFS Court  
Bank Street  
TwentyEight  
Cybercity  
Ebene 72201  
Mauritius

**Date:** 29 April 2016

## Independent Auditor's Report to the shareholder of IL&FS Investment Advisors LLC

This report is made solely to the Company's shareholder as a body, in accordance with the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to the shareholder in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

### **Report on the financial statements.**

We have audited the financial statements of **IL&FS Investment Advisors LLC** on pages 6 to 38 which comprise the statement of financial position at 31 March 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibilities for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies as described in note 3(a) to the financial statements. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements on pages 6 to 38 give a true and fair view of the financial position of **IL&FS Investment Advisors LLC** as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies as described in note 3(a).

#### *Basis of preparation*

Without modifying our opinion, we draw attention to note 3(a) to the financial statements, which describes the basis of preparation of the financial statements in accordance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies.

### **Report on other legal requirements**

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interests in, the Company other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

  
Deloitte

**Chartered Accountants**

29 April 2016

  
**Twaleb Butonkee, FCA**  
**Licensed by FRC**

**IL&FS INVESTMENT ADVISORS LLC**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016**

	<u>Notes</u>	<u>31 March 2016 USD</u>	<u>31 March 2015 USD</u>
<b>INCOME</b>			
Management and advisory fees	3 (m)	21,509,646	23,747,638
Other income		126,018	247,839
Fee income		33,084	37,705
		<u>21,668,748</u>	<u>24,033,182</u>
<b>EXPENSES</b>			
Advisory fees		10,446,166	11,805,829
Amortisation of intangible asset	7	2,965,350	2,965,348
Staff costs		2,021,691	2,219,732
Other expenses		424,992	663,846
Legal and professional fees		751,467	489,459
Depreciation		48,907	55,225
Impairment of goodwill		-	1,774,619
		<u>16,658,573</u>	<u>19,974,058</u>
<b>Profit before taxation</b>		<b>5,010,175</b>	<b>4,059,124</b>
Taxation	5	(184,786)	(214,250)
<b>Profit and total comprehensive income for the year</b>		<u><b>4,825,389</b></u>	<u><b>3,844,874</b></u>

The notes on pages 10 to 38 form an integral part of these financial statements

IL&FS INVESTMENT ADVISORS LLC

STATEMENT OF FINANCIAL POSITION  
AT 31 MARCH 2016

	Notes	31 March 2016 USD	31 March 2015 USD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments	6	2,004	2,004
Intangible assets	7	20,295,411	23,260,761
Property, plant and equipment	8	234,066	273,098
		<u>20,531,481</u>	<u>23,535,863</u>
<b>Current assets</b>			
Trade and other receivables	9	10,032,309	13,108,118
Cash and cash equivalents	10	7,218,619	2,185,877
		<u>17,250,928</u>	<u>15,293,995</u>
<b>Total assets</b>		<u>37,782,409</u>	<u>38,829,858</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	11	57,000	57,000
Redeemable participating shares	12	1,000	1,000
Retained earnings		35,641,209	33,815,820
Total equity		<u>35,699,209</u>	<u>33,873,820</u>
<b>Non-current liabilities</b>			
Provisions	13	698,291	598,753
		<u>698,291</u>	<u>598,753</u>
<b>Current liabilities</b>			
Trade and other payables	14	1,341,593	4,271,806
Taxation	5	43,316	85,479
		<u>1,384,909</u>	<u>4,357,285</u>
<b>Total equity and liabilities</b>		<u>37,782,409</u>	<u>38,829,858</u>

Approved by the Board of Directors and authorised for issue on 29 April 2016.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

The notes on pages 10 to 38 form an integral part of these financial statements.

**IL&FS INVESTMENT ADVISORS LLC**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	Stated Capital USD	Redeemable Participating Shares USD	Retained Earnings USD	Total USD
As at 1 April 2014		57,000	1,000	32,470,946	32,528,946
Profit for the year and total comprehensive income		-	-	3,844,874	3,844,874
Payment of dividend	17	-	-	(2,500,000)	(2,500,000)
As at 31 March 2015		<u>57,000</u>	<u>1,000</u>	<u>33,815,820</u>	<u>33,873,820</u>
As at 1 April 2015		57,000	1,000	33,815,820	33,873,820
Profit for the year and total comprehensive income		-	-	4,825,389	4,825,389
Payment of dividend	17	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(3,000,000)</u>
At 31 March 2016		<u>57,000</u>	<u>1,000</u>	<u>35,641,209</u>	<u>35,699,209</u>

The notes on pages 10 to 38 form an integral part of these financial statements.



IL&FS INVESTMENT ADVISORS LLC

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	31 March 2016 USD	31 March 2015 USD
<i>Cash flows from operating activities</i>			
Profit before taxation		5,010,175	4,059,124
Exchange difference		(90)	26
Amortisation of intangible assets	7	2,965,350	2,965,348
Impairment of goodwill		-	1,774,619
Depreciation	8	48,907	55,225
Reversal of provision for doubtful debts		(23,578)	(8,063)
<i>Working capital adjustments:</i>			
Decrease in trade and other receivables		3,099,387	2,935,962
Increase in provisions		99,538	113,444
Decrease in trade and other payables		(2,930,213)	(7,923,391)
Cash inflows from operating activities		8,269,476	3,972,294
Payment of tax	5	(226,949)	(177,674)
Net cash flows generated from operating activities		8,042,527	3,794,620
<i>Cash flows from investing activities</i>			
Payment for acquisition of property, plant and equipment	8	(9,785)	(11,293)
Receipt on distribution from Trust		-	350,000
Net cash (used in) / generated from investing activities		(9,785)	338,707
<i>Cash flows from financing activities</i>			
Payment of dividend	17	(3,000,000)	(2,500,000)
Net cash used in financing activities		(3,000,000)	(2,500,000)
Net increase in cash and cash equivalents		5,032,742	1,633,327
Cash and cash equivalents at beginning of the year		2,185,877	552,550
Cash and cash equivalents at end of the year		7,218,619	2,185,877

The notes on pages 10 to 38 form an integral part of these financial statements.

**IL&FS INVESTMENT ADVISORS LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. GENERAL**

The Company was incorporated in Mauritius under the Mauritius Companies Act 2001 on 31 January 2006 as a private company with liability limited by shares and holds a Category 1 Global Business Licence issued by the Financial Services Commission. The Company has its registered office and its principal place of business is at IFS Court, Bank Street, TwentyEight, Cybercity, Ebene 72201, Mauritius.

The principal activity of the Company is to provide investment management services to Fund I, Tara III, Fund II, K2, SIREF I, Tara IV and the Special Purpose Vehicles of Fund I, Fund II and Tara III. In addition, it also acts as coordinator for Yatra Capital Limited.

The Company has a branch office in the Dubai Multi Commodity Centre, one of the Free Trade Zones in Dubai.

These separate financial statements of the Company are expressed in United States Dollars (“USD”). The Company’s functional currency is the USD, the currency of the primary economic environment in which the Company operates.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2015 and that the adoption of the above mentioned, other than amendment to *IAS 24 Related Party Disclosures*, whereby the definition of a related party has been extended to include a management entity that provides key management personnel services to the reporting entity, which has been taken into consideration in note 16 of these financial statements, had no material effect on the financial statements.

**2.1 New and revised standards in issue but not yet effective**

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of financial statements – Amendments resulting from disclosure initiative (effective 1 January 2016)
IAS 7	Statement of cash flows – Amendments as result of the Disclosure initiative (effective 1 January 2017)
IAS 12	Income Taxes – Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
IAS 16	Amendments bringing bearer plants into the scope of IAS 16 (effective 1 January 2016)

## IL&FS INVESTMENT ADVISORS LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

##### 2.1 New and revised standards in issue but not yet effective (continued)

IAS 19	Employee Benefits – Amended resulting from September 2014 Annual Improvement to IFRSs (effective 1 January 2016)
IAS 27	Separate Financial Statements – Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements (effective 1 January 2016)
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception (effective 1 January 2016)
IFRS 10	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)
IFRS 12	Disclosures of Interests in Other Entities - Amendments regarding the application of the consolidation exception (effective 1 January 2016)
IFRS 15	Revenue from Contracts with Customers - Original issue (Applies to an entity's first annual IFRS financial statements) (effective 1 January 2018)
IFRS 15	Clarifications to IFRS 15 – Revenue from Contracts with Customers issued (effective 1 January 2018)

The directors anticipate that these IFRSs will be applied on their effective dates in future periods. The directors have not yet assessed the potential impact of the adoption of these amendments.

## IL&FS INVESTMENT ADVISORS LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 3. SIGNIFICANT ACCOUNTING POLICIES

These separate financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”). The preparation of financial statements in accordance with IFRS requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. A summary of the more important accounting policies, which have been applied consistently, is set out below.

##### *(a) Basis of preparation*

The Company is the holder of a Category 1 Global Business Licence and in accordance with the Fourteenth Schedule of the Mauritius Companies Act, Section 12, the Company may not prepare group financial statements as it is a wholly owned subsidiary of a company incorporated outside Mauritius. The basis of preparation of these financial statements complies with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB), except for Consolidated Financial Statements. Investments of the Company have been classified as Available for Sale (“AFS”) under IAS 39. The financial statements have been prepared on a historical cost and the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

##### *(b) Investments*

Investments that the Company intends to hold for an indefinite period of time are classified as available-for-sale. These are included in non-current assets unless management has expressed its intention of holding the investment for less than twelve months from the reporting period, in which case they are included in current assets.

Management decides the appropriate classification of its investments at the time of the purchase and re-evaluates the classification on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets. The available-for-sale financial assets do not have a quoted market price in an active market and their fair value cannot be reliably measured and in that respect they are measured at cost less any identified impairment losses at the end of each reporting period.

##### *(c) Intangible assets*

The intangible assets have been acquired during the business combination of 2010. They have been recognised separately from goodwill and recognised at the fair value at acquisition date (which is regarded as their cost). Subsequent to initial recognition, the intangible assets are reported at cost less accumulated amortization and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

**IL&FS INVESTMENT ADVISORS LLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(c) Intangible assets (continued)*

Management and advisory contracts acquired by the Company are amortised on a straight line basis over the estimated useful life of such contracts as follows:

<b>Category of Asset</b>	<b>Estimated Useful Life from date of contract (in years)</b>
Management and advisory contracts	8 to 16 years

The intangible asset will be derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the intangible asset will be recognised in the statement of profit or loss and other comprehensive income.

*(d) Business combination*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in statement of profit or loss and other comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in statement of profit or loss and other comprehensive income as a bargain purchase gain.

## IL&FS INVESTMENT ADVISORS LLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *(d) Business combination (continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognised in statement of profit or loss and other comprehensive income.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to statement of profit or loss and other comprehensive income where such treatment would be appropriate if that interest were disposed of.

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

##### *(e) Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date of the business less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash generating units that is expected to benefit from synergies of the combination.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(f) Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method as follows:-

<b>Category of Asset</b>	<b>Estimated Useful Life (in years)</b>
Freehold building	15
Motor Vehicles	4
Furniture	3-5
Office Equipment	3-5
Computer equipment	3-5
Freehold improvements	2-3

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

*(g) Foreign currencies*

The financial statements are presented in USD which is also the currency of the primary economic environments in which the Company operates (functional currency). At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

## IL&FS INVESTMENT ADVISORS LLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *(h) Taxation*

###### *Current tax*

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

###### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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



IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(h) Taxation (continued)*

*Deferred tax (continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

*Current and deferred tax for the year*

Current and deferred tax recognised in the statement of profit or loss and other comprehensive income except when they relate to items that are recognised in the other comprehensive income or directly related in equity.

*(i) Loans and receivables*

Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. An allowance for doubtful receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified.

*(j) Stated capital*

Ordinary shares are classified as equity. Redeemable participating shares are redeemable at the option of the issuer and are shown as equity until the obligation to redeem such shares arises, at which time they will be classified as liabilities.

*(k) Payables*

Payables are recognised initially at fair value and subsequently stated at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

*(l) Cash and cash equivalents*

Cash comprises cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## IL&FS INVESTMENT ADVISORS LLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *(m) Revenue recognition*

Management/advisory fees are recognized on the accrual basis unless collectability is in doubt. Revenue from time and material contracts is recognised at the contractual rates. The management/advisory fees are calculated based on the terms specified in the management agreements and advisory agreements.

##### *(n) Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### *(o) Expense recognition*

All expenses are accounted for in the statement of profit or loss and other comprehensive income on the accrual basis.

##### *(p) Related parties*

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include a management entity that provides key management personnel services to the Company.

##### *(q) Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(r) Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

*Financial Assets*

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) *Financial instruments (continued)*

*Financial Assets (continued)*

Available-for-sale financial assets (continued)

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(r) Financial instruments (continued)*

*Financial Liabilities and equity instruments*

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or other financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables) are subsequently measured at amortised cost using effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(s) Impairment of assets*

At the end of each reporting period, the Company reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-discount that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised immediately in statement of profit or loss and other comprehensive income, unless the asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

*(t) Interest expense*

Interest on borrowings is recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred. Transaction costs incurred for the borrowing are amortised over the tenor of the borrowing.

*(u) Staff end-of-service benefits*

Provision is made for end-of-service gratuity payable to the staff employed in Dubai at the reporting date in accordance with the local labour laws. This is in relation to the benefits paid by the Dubai branch to its employees when the latter leaves after successfully completing the stipulated years of service in the employment contract.

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Company's accounting policies, which are described in note 3, the directors are required to exercise judgement and also to use estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ as a result of changes in these estimates.

Estimations and assumptions that have a significant effect on the amounts recognized in the financial statements include:

*Impact of the application of IFRS 10*

The directors have reassessed the effect of the adoption of IFRS 10 (Consolidated Financial Statements) during the year and have determined that the Company has control over Saffron Investment Trust (the "Trust"), incorporated in Mauritius, since the Company is the sole beneficiary of the Trust. Under IFRS 10, the Company is required to prepare consolidated financial statements. However, the Company has opted not to consolidate Saffron Investment Trust on the basis of the exemption available to Companies holding Category 1 Global Business Licence under the Mauritius Companies Act 2001.

*Determination of functional currency*

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising during the year are dependent on the functional currency selected. The directors consider USD as the currency which represents most faithfully the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results, as well as its prime transacting currency. It has therefore, been determined that the functional currency of the Company is USD.

*Impairment of intangibles*

The value in use for intangibles requires an estimation of future cash flows which involves the calculation of management and advisory fees based on a percentage of capital raised by K2 and any future funds for which the company would act as investment advisor. The directors believe that the intangibles are not subject to impairment in value at the end of the reporting period on the basis that the Company will continue to earn management fees from such funds. The directors believe that the targeted capital of GBP200 million to be raised by the new funds in July 2016 will be achievable and future economic benefits will accrue to the Company.

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

*Impairment of intangibles (continued)*

In making an assessment whether the intangible assets are impaired, the directors have determined that there has been no change in the useful lives of the intangible assets based on current information relating to counterparts within the same industry. Also based on mutual agreement, the Company, SIREF I and K2 have agreed to lower management fees and at the same time the Company has negotiated for a quicker return of cash via an incentive fee payable by K2 and SIREF I based on amount of cash generated by the portfolio investments of the latter over a specific period of time. The company is also in the process of launching a new fund in May 2016 to replace K2 which will generate additional management fees and based on the assessment of the discounted future cashflows, the directors believe that the intangibles with a carrying value of **USD20,295,411** are not impaired on the basis that the Company will be earning sufficient management fees from the new fund to cover the carrying amount of the intangibles.

*Useful lives of intangible assets*

The useful lives of the management and advisory contracts are principally based on the funds with finite lives the Company has acquired following the amalgamation. The Company reviews the estimated useful lives of the intangible assets at the end of each reporting period.

*Useful lives of property, plant and equipment*

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on a prospective basis.

*Doubtful debt provisions*

Management regularly undertakes a review of the amounts of loans and receivables owed to the branch either from third parties or from related parties and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

*Staff end-of-service gratuity*

The branch computes the provision for the liability to staff end-of-service gratuity stated at 31 March 2016 **USD698,291** (2015: **USD598,753**), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.



IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

5. TAXATION

*Income tax*

The Company under current laws and regulations is liable to pay income tax at a rate of 15%. However, the Company is entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of Mauritius tax payable in respect of its foreign source income thus reducing its maximum effective tax rate to 3%.

The Company has received a certificate from the Mauritian authorities and believes such certification is determinative of its resident status for treaty purposes. The tax residence certificate is renewable each year provided some undertakings / provisions are observed. For the period under review, the Company holds a valid Tax Residence Certificate.

Gains or profits arising from sale of securities would be exempt from tax in Mauritius and any dividends and redemption proceeds paid by the Company to its Shareholder would not attract any withholding tax in Mauritius.

(i) <u>Tax expense</u>	2016	2015
	USD	USD
Current tax	<u>184,786</u>	<u>214,250</u>
(ii) <u>Tax liability</u>	2016	2015
	USD	USD
Balance at beginning of the year	85,479	48,903
Payment	(226,949)	(177,674)
Charge for the year	<u>184,786</u>	<u>214,250</u>
Balance at end of the year	<u>43,316</u>	<u>85,479</u>

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

5. TAXATION (CONTINUED)

(iii) Tax reconciliation

	2016 USD	2015 USD
Profit before taxation	<u>5,010,175</u>	<u>4,059,124</u>
Tax rate at 15%	751,526	608,869
Tax effect of		
-Distribution from Trust not credited to income statement	-	52,500
-Taxable proceeds not credited to income statement	-	10,500
-Non taxable income	-	(52,500)
-Unauthorised deduction	172,393	451,877
-Foreign tax credit	<u>(739,133)</u>	<u>(856,996)</u>
Tax expense	<u>184,786</u>	<u>214,250</u>

6. AVAILABLE-FOR-SALE INVESTMENTS

Name of company	Country of Incorporation	% Holding	Principal activity	2016	2015
				USD	USD
<u>AT COST</u>					
IL&FS India Realty Fund LLC	Mauritius	100% of the Class C shares	Fund	1,000	1,000
Tara India Fund III, LLC	Mauritius	100% of the Class C and Class D shares	Fund	2	2
IL & FS India Realty Fund II LLC	Mauritius	100% of the Class C shares	Fund	1,000	1,000
Tara Feeder Fund Limited	Jersey	2 Management shares	Fund	2	2
				<u>2,004</u>	<u>2,004</u>

The available-for-sale investments are stated at cost since they represent management shares which are not entitled to a share of net assets on winding up of the funds but to a return of nominal capital only and are also not subject to constant fair valuation.

7. INTANGIBLE ASSETS

	2016 USD	2015 USD
Management and Advisory Contracts	<u>20,295,411</u>	<u>23,260,761</u>

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

7. INTANGIBLE ASSETS (CONTINUED)

The initial amount recognized as intangibles represented the fair value of the management and advisory contracts acquired by the Company in respect of K2 and SIREF I, pursuant to the amalgamation with Saffron Capital Advisors Limited (“SCAL”) and Saffron Capital Securities Limited (“SCSL”) with the Company was USD38.7M.

The intangible assets are amortised over the remaining estimated useful life of such contracts. The useful lives of the management and advisory contracts of K2 and SIREF I had initially been estimated at 16 years and 8 years respectively on the basis of the life of the funds which are limited life entities.

Due to divestment of K2 planned in the short term, Yatra Capital Limited will launch a new fund in FY 2016 to replace K2. The recoverable amount of the intangible assets is dependent on the successful launch of the new fund. The directors believe that the targeted capital of GBP200 million to be raised by the new funds in July 2016 will be achievable and future economic benefits will accrue to the Company based on steps taken by the Management towards appointment of appropriate placement agencies and legal counsel and formation of the structures in raising new funds. On the basis that the Company will continue to earn management fee income from the new funds in addition to the management fee income from K2 and SIREFI, the Management has determined that the carrying value of the intangible assets is fully recoverable and therefore no impairment of the intangible assets is required following the proposed divestment of K2.

<u>Cost</u>	2016 USD	2015 USD
Balance at beginning of year	36,813,000	37,163,000
Receipt on distribution from Trust	-	(350,000)
Balance at end of year	<u>36,813,000</u>	<u>36,813,000</u>
<u>Amortization</u>		
Balance at beginning of year	13,552,239	10,586,891
Charge for the year	<u>2,965,350</u>	<u>2,965,348</u>
Balance at end of year	<u>16,517,589</u>	<u>13,552,239</u>
Carrying amount at end of year	<u>20,295,411</u>	<u>23,260,761</u>

Included in the initial cost of intangible assets of USD38,700,000 was an amount of USD3,500,000 which represented the contribution that the Company made in Saffron Investment Trust. The Company is the sole beneficiary of Saffron Investment Trust which is established in Mauritius. The capital contribution is of indefinite life and is not subject to amortisation. During the year, the Company did not receive any distribution (2015: USD350,000) from the Trust. The residual amount of contribution held in the Trust amounted to USD1,650,000 (2015: USD1,650,000) at end of the year. The principal object of the Trust is to hold assets for the beneficiary.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Building	Freehold improvements	Computer Equipment	Office Equipment	Furniture	Motor Vehicles	Total
	USD	USD	USD	USD	USD	USD	USD
<b>AT COST</b>							
At 1 April 2014	340,431	162,184	57,111	51,618	28,361	227,394	867,099
Additions	-	-	4,654	-	6,639	-	11,293
Exchange difference	(37)	(18)	(5)	(5)	1	(26)	(90)
At 31 March 2015	340,394	162,166	61,760	51,613	35,001	227,368	878,302
At 1 April 2015	340,394	162,166	61,760	51,613	35,001	227,368	878,302
Additions	-	-	7,399	1,122	1,264	-	9,785
Exchange difference	223	106	1	-	2	148	480
At 31 March 2016	340,617	162,272	69,160	52,735	36,267	227,516	888,567
<b>DEPRECIATION</b>							
At 1 April 2014	73,876	162,184	50,796	34,805	28,361	200,021	550,043
Charge for the year	22,691	-	7,807	5,954	561	18,212	55,225
Exchange difference	(9)	(18)	(4)	(4)	(4)	(25)	(64)
At 31 March 2015	96,558	162,166	58,599	40,755	28,918	218,208	605,204
At 1 April 2015	96,558	162,166	58,599	40,755	28,918	218,208	605,204
Charge for the period	22,643	-	4,380	6,179	6,540	9,165	48,907
Exchange difference	63	106	34	25	19	143	390
At 31 March 2016	119,264	162,272	63,013	46,959	35,477	227,516	654,501
<b>NET BOOK VALUE</b>							
At 31 March 2016	221,353	-	6,147	5,776	790	-	234,066
At 31 March 2015	243,836	-	3,161	10,858	6,083	9,160	273,098

The directors have assessed that there is no indication of impairment with respect to these assets.

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**9. (I) TRADE RECEIVABLES**

	2016 USD	2015 USD
Management fees IL&FS India Realty Fund LLC	-	6,223,125
Management fees IL & FS India Realty Fund II LLC	976,238	-
Management fees Tara India Fund III, LLC	6,034,938	4,237,729
Branch trade receivable	2,338,219	1,786,857
Management fees Tara India Fund IV LLC	114,750	23,893
Incentive fees receivable from Saffron India Real Estate Fund I	-	17,652
	<u>9,464,145</u>	<u>12,289,256</u>

The receivable period is on average from 3 months to one year and no interest is charged on the trade receivables. The limits and scoring attributed to the above debtors are reviewed periodically.

*Ageing of receivables that are past due but not impaired*

	31 March 2016 USD	31 March 2015 USD
91-120 days	1,959,833	631,732
121-180 days	316,449	1,010,090
More than 180 days	5,482,359	8,381,010
	<u>7,758,641</u>	<u>10,022,832</u>

The directors believe that no provision for doubtful debts is required to be made since the amounts owed to the Company are from funds under its management/advisory and is bound to be recovered since the Company has investment management agreements/advisory agreements with such entities. The Company has not recognized any allowance for doubtful debts because there has not been a significant change in the credit quality and the amounts are considered recoverable.

**II) OTHER RECEIVABLES**

	2016 USD	2015 USD
Other receivables	388,809	382,695
Advance to Milestone Investment Advisors LLC ("MIAL")	-	200,000
Deposit/ Advances of Branch	119,641	159,573
Prepayments	59,714	76,594
	<u>568,164</u>	<u>818,862</u>
<b>Total Trade and Other Receivables</b>	<u>10,032,309</u>	<u>13,108,118</u>

The other receivables are unsecured, interest free and is repayable on demand.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

II) OTHER RECEIVABLES (CONTINUED)

*Other Receivables that are past due and provided for*

	31 March 2016 USD	31 March 2015 USD
Other Receivables	54,646	117,441
Provision for doubtful debts	<u>(18,632)</u>	<u>(34,673)</u>
	<u>36,014</u>	<u>82,768</u>

A reconciliation of the movements in the doubtful debt provision account is as follows:

	2016 USD	2015 USD
Opening balance	34,673	42,736
Provisions made during the year	7,537	-
Provisions no longer required	<u>(23,578)</u>	<u>(8,063)</u>
Closing balance	<u>18,632</u>	<u>34,673</u>

An analysis of trade and other receivables considered being impaired due to non-recovery or perceived difficulty in recovery is as follows:

	31 March 2016 USD	31 March 2015 USD
Gross value	18,632	34,673
Provision	<u>(18,632)</u>	<u>(34,673)</u>
Carrying value	<u>-</u>	<u>-</u>

10. CASH AND CASH EQUIVALENTS

	2016 USD	2015 USD
Cash at bank	7,215,326	2,183,869
Cash in hand	<u>3,293</u>	<u>2,008</u>
	<u>7,218,619</u>	<u>2,185,877</u>

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**11. STATED CAPITAL**

	<u>Number</u>	<u>2016 USD</u>	<u>2015 USD</u>
57,000 Ordinary Shares of USD1 each	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>

The ordinary shares provide the rights to receive distribution and payments on winding up of the Company and voting rights. Each ordinary share of the Company entitles the holder the right to vote on any matter to be considered by the shareholders generally. All the ordinary shares are held by the holding company, IL&FS Investment Managers Limited (“IIML”), incorporated in India.

**12. REDEEMABLE PARTICIPATING SHARES**

	<u>2016 USD</u>	<u>2015 USD</u>
100,000 redeemable participating shares of USD0.01 each issued on 20 April 2006	<u>1,000</u>	<u>1,000</u>

The redeemable participating shares carry voting rights and are entitled to proceeds on redemption and distributions. As per the Company’s Constitution, the redeemable participating shares are redeemable at the option of Company. All the redeemable participating shares are held by the holding company, IL&FS Investment Managers Limited, India.

**13. PROVISIONS**

	<u>2016 USD</u>	<u>2015 USD</u>
Provision for staff end of service gratuity	<u>698,291</u>	<u>598,753</u>

The branch financial statements comprise a provision on account of staff end-of-service gratuity.

**14. (I) TRADE PAYABLES**

	<u>2016 USD</u>	<u>2015 USD</u>
Advisory fees payable to IL&FS Investment Managers Limited	-	2,600,000
Advisory fees payable to IIML Asset Advisors Ltd	<u>307,681</u>	<u>344,173</u>
	<u>307,681</u>	<u>2,944,173</u>

The advisory fees are payable quarterly in arrears to IL&FS Investment Managers Limited and IIML Asset Advisors Limited pursuant to an Advisory Agreement and the outstanding advisory fees do not carry any interest.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

14.(II) OTHER PAYABLES

	2016 USD	2015 USD
Other payables	546,535	699,736
Other provisions - Branch	382,672	406,719
Management fees received in advance	96,655	201,628
Audit fees accrued	8,050	19,550
	<u>1,033,912</u>	<u>1,327,633</u>

The amounts due are unsecured, interest free and payable on demand.

<b>Total Trade and Other Payables</b>	<u>1,341,593</u>	<u>4,271,806</u>
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15. FINANCIAL INSTRUMENTS

15.1 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. As part of its capital risk management policies the Company reviews the capital structure to ensure that it has an appropriate portion of net debt to equity.

The capital structure of the Company consists of redeemable participating shares, stated capital and retained earnings.

*Fair values*

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables approximate their fair values.

15.2 Categories of financial instruments

	2016 USD	2015 USD
<b>Financial assets</b>		
Trade and other receivables	9,909,979	12,965,612
Cash and cash equivalents	7,218,619	2,185,877
Available for sale financial assets	2,004	2,004
	<u>17,130,602</u>	<u>15,153,493</u>
<b>Financial liabilities</b>		
Provisions and trade and other payables	<u>1,244,938</u>	<u>4,070,178</u>



**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**15 FINANCIAL INSTRUMENTS (CONTINUED)**

*15.3 Price risk*

The Company has invested in the management shares of Tara Feeder Fund Limited and other classes of shares in Fund I, Tara III and Fund II. The shares of the investee companies are held for strategic rather than trading purposes and are carried at cost as the fair values are not available.

*15.4 Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a policy of only dealing with credit counterparties as a mean of mitigating the risk of financial loss from defaults. The carrying amount of trade receivables represents the maximum credit exposure and at the end of the reporting period was as follows:

	2016 USD	2015 USD
Trade receivables	<u>9,464,145</u>	<u>12,289,256</u>

The receivables consist of amounts owed to the Company from funds under its management/advisory and are bound to be recovered since the Company has investment management agreements /advisory agreements with such entities.

At the end of the year, the details of the trade receivables were as follows:

	2016 USD	2015 USD
Management fees Tara India Fund III LLC	63.77%	34.48%
Branch trade receivables	24.70%	14.54%
Management fees Tara India Fund IV LLC	1.21%	0.19%
Management fees IL & FS India Realty Fund II LLC	10.32%	-
Management fees IL&FS India Realty Fund LLC	-	50.64%
Incentive fees receivable from Saffron India Real Estate Fund I	-	0.15%
	<u>100.00%</u>	<u>100.00%</u>

The credit risk on the above amounts due is limited since the amounts owed to the Company are from funds under its management/advisory and is bound to be recovered since the Company has investment management agreements/advisory agreements with the above entities. The Company does not hold any collateral over these balances. The Company has not recognized any allowance for doubtful debts because there has not been a significant change in the credit quality and the amounts are considered recoverable.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

15 FINANCIAL INSTRUMENTS (CONTINUED)

15.5 Interest rate risk

The Company is not exposed to interest rate risk as the Company does not have any interest bearing financial assets or liabilities.

15.6 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company maintains sufficient cash to address any liquidity risk that may arise.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

*Maturity profile of financial liabilities*

2016

Interest rate	1-3 months USD	3 months to 1 year USD	1-5 years USD	Total USD
Non- interest bearing instruments	421,246	823,692	-	1,244,938
	<u>421,246</u>	<u>823,692</u>	<u>-</u>	<u>1,244,938</u>

2015

Interest rate	1-3 months USD	3 months to 1 year USD	1-5 years USD	Total USD
Non- interest bearing instruments	3,017,095	1,053,083	-	4,070,178
	<u>3,017,095</u>	<u>1,053,083</u>	<u>-</u>	<u>4,070,178</u>

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

15 FINANCIAL INSTRUMENTS (CONTINUED)

15.7 Foreign currency risk

The Company's financial assets and liabilities are denominated in USD and most transactions are made in USD. The Company receives management fee income from K2 Property Limited, a Euro fund in Euros on a half yearly basis in advance whilst the reporting currency of the Company is in USD. However, the exposure to Euro is not material. The transactions of the Dubai branch are undertaken in UAE Dirhams. The Company is, therefore, exposed in movement of the USD/AED exchange rate.

	5% Increase AED Impact 31 March 2016	5% Decrease AED Impact 31 March 2016	5% Increase AED Impact 31 March 2015	5% Decrease AED Impact 31 March 2015
Effect on:				
Financial Assets	129,440	(117,113)	1,022	(925)
Financial Liabilities	56,893	(51,474)	52,920	(47,880)

*Currency profile*

The Company's financial assets and liabilities is summarised as follows:

	Financial Assets 2016 USD	Financial liabilities 2016 USD	Financial Assets 2015 USD	Financial liabilities 2015 USD
UAE Dirhams	2,459,365	382,672	2,219,139	406,719
Mauritian Rupee	11,609	-	12,425	-
US Dollars	14,659,628	862,266	12,921,929	3,663,459
Total	17,130,602	1,244,938	15,153,493	4,070,178

Directors have set up a policy to require management of foreign exchange risk against their functional currency. The Company is required to cover its entire foreign exchange risk exposure. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

16 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of IL&FS Investment Managers Limited (“IIML”), which is the holding company.

During the year, the Company transacted with related parties. Details of the nature, volume of transactions and balances with the related parties are as follows:

A

Name of Related Party	Relationship	Nature of transactions		31 March 2016 USD	31 March 2015 USD
IL&FS Investment Managers Limited	Shareholder/ Advisor	Advisory fees	Opening Balance	(2,600,000)	(9,419,997)
			Payable during the year	(9,100,000)	(10,400,003)
		Payments during the year	11,700,000	17,220,000	
		Closing balance	-	(2,600,000)	
		Dividend		3,000,000	2,500,000
IIML Asset Advisors Limited	Advisor	Advisory fees	Opening Balance	(344,173)	(823,246)
			Payable during the year	(1,346,166)	(1,413,551)
		Payments during the year	1,382,658	1,892,624	
		Closing balance	(307,681)	(344,173)	
Saffron Investment Trust	Beneficiary as per Trust's deed	Receipt on distribution from Trust		-	350,000

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016

16. RELATED PARTY TRANSACTIONS (CONTINUED)

B

Name of Related Party	Relationship	Nature of transaction	Volume of transaction 2016 USD	Balance at 2016 USD	Volume of Transaction 2015 USD	Balance at 2015 USD
International Financial Services Limited	Administrator, Secretary and Directorship	Professional fees (Including director fees)	54,149	-	50,984	-
IL&FS Energy Development Company Ltd	Fellow subsidiary	Consultancy services	-	6,198	179,882	7,454
IL & FS Global Financial Service (ME) Limited	Fellow subsidiary	Consultancy services	76,294	-	-	-
IL&FS Global Pte Limited	Fellow subsidiary	Consultancy services	1,774,999	1,599,999	1,111,273	1,111,273
IL & FS Milestone Realty Advisors Pvt Ltd	Joint Venture	Consultancy services	-	1,210	-	3,763
IL & FS Maritime International FZE	Fellow subsidiary	Consultancy services	94,840	-	83,324	-
IL&FS Investment Advisors (Branch)	Branch	Key Management Personnel	1,356,205	808,739*	1,463,908	593,759*

31 March	31 March
2016	2015
USD	USD

\* Compensation of key management personnel payable

Remuneration and benefits payable (included in accruals and other payables)	237,841	104,346
Post-employment benefits (included in provision for staff end-of-service benefits)	<u>570,898</u>	<u>489,413</u>

**IL&FS INVESTMENT ADVISORS LLC**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2016**

**17. DIVIDEND**

During the year, the Company declared dividend of **USD30** (2015: USD25) per share amounting to **USD3,000,000** (2015: USD2,500,000) to its Redeemable Participating Shareholder which was paid on **4 February 2016** (2015: 23 January 2015).

**18. CONTINGENT LIABILITIES**

	<b>2016</b>	<b>2015</b>
	<b>USD</b>	<b>USD</b>
Bankers' letters of guarantee (Branch)	<u>-</u>	<u>4,519</u>