

IL&FS INVESTMENT ADVISORS LLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS	PAGES
CORPORATE DATA	2
COMMENTARY OF THE DIRECTORS	3
CERTIFICATE FROM THE SECRETARY	4
AUDITOR'S REPORT	5-6
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11-40

IL&FS INVESTMENT ADVISORS LLC

CORPORATE DATA

		<i>Date of appointment</i>	<i>Date of resignation</i>
DIRECTORS:	Rubina Toorawa	31 January 2006	-
	Sudesh Basanta Lala	31 January 2006	-
	Shahzaad Siraj Dalal	31 January 2006	21 November 2016
	Manoj Yeshwant Borkar	31 January 2006	-
	Mohan Roy Lawrence	26 March 2009	-
REGISTERED OFFICE:	IFS Court Bank Street TwentyEight Cybercity Ebene 72201 MAURITIUS		
BRANCH REGISTERED OFFICES:	PO BOX 340508 AG Tower (Silver) 12F&G Jumeirah Lake Towers Dubai UNITED ARAB EMIRATES Office No 402 & 403 Level 4 Currency House, Tower No 1 Dubai International Financial Centre PO Box 482084 Dubai UNITED ARAB EMIRATES		
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 (upto 29 April 2016) 6 th Floor, HSBC Centre 18, Cybercity Ebene MAURITIUS		
	Barclays Bank Mauritius Limited (as from 15 April 2016) 1st Floor, Barclays House 68-68A Cybercity Ebene MAURITIUS		

IL&FS INVESTMENT ADVISORS LLC

COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and the audited financial statements of IL&FS Investment Advisors LLC (the “Company”) for the year ended 31 March 2017.

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. The Company will appoint an auditor in its Annual General Meeting to be held in due course.

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 2017.



.....
For International Financial Services Limited
Secretary

Registered Office:

IFS Court
Bank Street
TwentyEight
Cybercity
Ebene 72201
Mauritius

Date: 19 May 2017

Independent auditor's report to the Shareholders of IL&FS Investment Advisors LLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **IL&FS Investment Advisors LLC** (the "Company") set out on pages 7 to 40, which comprise the statement of financial position as at 31 March 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

- we have no relationship with, or interest 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.

Other information

The directors are responsible for the other information. The other information comprises the Commentary of the Directors and the Certificate from the Secretary, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

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

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the Shareholders of IL&FS Investment Advisors LLC (cont'd)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- 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 resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an 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 and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte

Chartered Accountants

19 May 2017



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 2017**

	<u>Notes</u>	<u>31 March 2017 USD</u>	<u>31 March 2016 USD</u>
INCOME			
Management and advisory fees		7,895,142	21,509,646
Other income		330,876	126,018
Fee income		32,815	33,084
Miscellaneous income		183,143	-
		<u>8,441,976</u>	<u>21,668,748</u>
EXPENSES			
Intangible asset written off	7	14,745,087	-
Advisory fees		5,207,002	10,446,166
Amortisation of intangible asset	7	2,329,537	2,965,350
Staff costs		562,909	2,021,691
Other expenses		320,311	424,992
Legal and professional fees		270,803	751,467
Depreciation	8	25,998	48,907
		<u>23,461,647</u>	<u>16,658,573</u>
(Loss) / Profit before taxation		(15,019,671)	5,010,175
Taxation	5	(10,456)	(184,786)
(Loss) / Profit and total comprehensive (loss) / income for the year		(15,030,127)	4,825,389

The notes on pages 11 to 40 form an integral part of these financial statements


IL&FS INVESTMENT ADVISORS LLC

STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017

	Notes	31 March 2017 USD	31 March 2016 USD
ASSETS			
Non-current assets			
Available-for-sale investments	6	2,004	2,004
Intangible assets	7	2,970,787	20,295,411
Property, plant and equipment	8	978	234,066
		<u>2,973,769</u>	<u>20,531,481</u>
Current assets			
Trade and other receivables	9	9,928,817	10,032,309
Cash and cash equivalents	10	7,811,659	7,218,619
Tax asset	5	7,848	-
		<u>17,748,324</u>	<u>17,250,928</u>
Total assets		<u>20,722,093</u>	<u>37,782,409</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	11	57,000	57,000
Redeemable participating shares	12	1,000	1,000
Retained earnings		19,102,416	35,641,209
Total equity		<u>19,160,416</u>	<u>35,699,209</u>
Non-current liabilities			
Provisions	13	167,953	698,291
		<u>167,953</u>	<u>698,291</u>
Current liabilities			
Trade and other payables	14	1,143,724	1,341,593
Consideration payable pursuant to Scheme	19	250,000	-
Taxation	5	-	43,316
		<u>1,393,724</u>	<u>1,384,909</u>
Total equity and liabilities		<u>20,722,093</u>	<u>37,782,409</u>

Approved by the Board of Directors and authorised for issue on 19 May 2017.


Director


Director

The notes on pages 11 to 40 form an integral part of these financial statements.

IL&FS INVESTMENT ADVISORS LLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Stated Capital USD	Redeemable Participating Shares USD	Retained Earnings USD	Total USD
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	-	-	(3,000,000)	(3,000,000)
As at 31 March 2016		<u>57,000</u>	<u>1,000</u>	<u>35,641,209</u>	<u>35,699,209</u>
As at 1 April 2016		57,000	1,000	35,641,209	35,699,209
Loss for the year and total comprehensive loss		-	-	(15,030,127)	(15,030,127)
Effect of amalgamation	19	-	-	(8,666)	(8,666)
Payment of dividend	17	-	-	(1,500,000)	(1,500,000)
At 31 March 2017		<u>57,000</u>	<u>1,000</u>	<u>19,102,416</u>	<u>19,160,416</u>

The notes on pages 11 to 40 form an integral part of these financial statements.

IL&FS INVESTMENT ADVISORS LLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	31 March 2017 USD	31 March 2016 USD
<i>Cash flows from operating activities</i>			
(Loss) / Profit before taxation		(15,019,671)	5,010,175
Exchange difference		-	(90)
Amortisation of intangible assets	7	2,329,537	2,965,350
Intangible asset written off	7	14,745,087	-
Depreciation	8	25,998	48,907
Reversal of provision for doubtful debts		-	(23,578)
Credit balances written off		(183,143)	-
Profit on disposal of assets		(311,205)	-
Provision for staff end of service gratuity		(133,286)	106,937
<i>Working capital adjustments:</i>			
Decrease in trade and other receivables		105,718	3,099,387
(Decrease) in trade and other payables		(32,876)	(2,929,821)
Cash inflows from operating activities		1,526,159	8,277,267
Payment of tax	5	(61,620)	(226,949)
Payment of gratuity		(397,052)	(7,791)
Net cash flows generated from operating activities		1,067,487	8,042,527
<i>Cash flows from investing activities</i>			
Payment for acquisition of property, plant and equipment	8	(681)	(9,785)
Proceeds on disposal of property, plant and equipment		518,976	-
Receipt on distribution from Trust		500,000	-
Net cash generated/ (used in) from investing activities		1,018,295	(9,785)
<i>Cash flows from financing activities</i>			
Payment of dividend	17	(1,500,000)	(3,000,000)
Net cash used in financing activities		(1,500,000)	(3,000,000)
Net increase in cash and cash equivalents		585,782	5,032,742
Cash and cash equivalents at beginning of the year		7,218,619	2,185,877
Cash acquired on amalgamation		7,258	-
Cash and cash equivalents at end of the year		7,811,659	7,218,619

The notes on pages 11 to 40 form an integral part of these financial statements.

IL&FS INVESTMENT ADVISORS LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 (“FSC”). The Company is also licenced to act as CIS Manager pursuant to the Securities Act 2005. The Company has its registered office and its principal place of business at IFS Court, Bank Street, TwentyEight, Cybercity, Ebene 72201, Mauritius. The Company also has a branch office in the Dubai Multi Commodity Centre, one of the Free Trade Zones in Dubai and another one in Dubai International Financial Centre (“DIFC”).

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. In addition, it also acts as coordinator for Yatra Capital Limited (“Yatra”).

As disclosed in Note 19 in the financial statements, the Board has approved a Scheme of Arrangement and Amalgamation (“the Scheme”) between IIML Advisors LLC and the Company. The aforesaid Scheme has been approved by the Supreme Court of Mauritius on 26 April 2017.

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 2016. The adoption of the above mentioned had no material effect on the financial statements.

2.1 Revised Standards applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application had no significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

- IAS 1 Presentation of Financial Statements - Amendments resulting from disclosure initiative
- IAS 16 Amendments regarding the clarification of acceptable methods of depreciation and amortisation
- IAS 16 Amendments bringing bearer plants into the scope of IAS 16
- 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
- IFRS 7 Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs
- IAS 19 Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs
- IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

2.2 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 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 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 - 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 9 Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective 1 January 2018)
IFRS 15	Revenue from contracts with customers – Original issue (applies to an entity’s first annual IFRS financial statements)
IFRS 15	Revenue from contracts with customers – Clarifications to IFRS 15 (effective 1 January 2018)
IFRIC 22	Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied unless otherwise stated.

(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, the Company may not prepare group financial statements as it is a wholly owned subsidiary of a company incorporated outside Mauritius.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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 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.

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:

Category of Asset	Estimated Useful Life from date of contract (in years)
Management and advisory contracts	8 to 9 years

IL&FS INVESTMENT ADVISORS LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets (continued)

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.

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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combination (continued)

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) 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:-

Category of Asset	Estimated Useful Life (in years)
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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in United States Dollars (“USD”) which is also the currency of the primary economic environments in which the Company operates (functional currency).

(ii) Transaction and balances

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.

(g) 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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Taxation (continued)

Deferred tax (continued)

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.

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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Stated capital

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

(j) 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.

(k) 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.

(l) 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.

(m) 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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) *Expense recognition*

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

(o) *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.

(p) *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.

(q) *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: '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.

IL&FS INVESTMENT ADVISORS LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial instruments (continued)

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.

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.

IL&FS INVESTMENT ADVISORS LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) *Financial instruments (continued)*

Financial Assets (continued)

Derecognition of financial assets (continued)

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.

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.

IL&FS INVESTMENT ADVISORS LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial instruments (continued)

Financial Liabilities and equity instruments (continued)

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.

(r) 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.

IL&FS INVESTMENT ADVISORS LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of assets (continued)

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.

(s) 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 tenure of the borrowing.

(t) 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.

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, per Note 3(a).

IL&FS INVESTMENT ADVISORS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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

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, per Note 3(f).

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. Considering the growing uncertainty in the new fund raise process due to growing uncertainty in the economic environment on account of Brexit as well as other European countries thinking of moving out of Euro zone, the entire fund raise process was likely to be extended beyond the earlier timeline.

Accordingly, pursuant to the Scheme, the Supreme Court of Mauritius has allowed to adjust an amount of USD 14,495,087 against the Company's retained earnings, out of the total value of Intangible Assets as appearing in the books of the Company on the Appointed Date. However, in accordance with requirements under IFRS, this amount has been recognised in the Company's Statement of Profit or Loss and Other Comprehensive Income.

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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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

Staff end-of-service gratuity

The branch computes the provision for the liability to staff end-of-service gratuity and it was **USD167,953** as at 31 March 2017 (2016: USD698,291), 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.

5. TAXATION

Income tax

The Company under current laws and regulations is liable to pay income tax at a rate of 15%. As a holder of a Category 1 Global Business Licence, it is entitled to a credit in respect of foreign tax equivalent to the higher of actual foreign tax suffered or a deemed credit equivalent to 80% of the Mauritius income tax liability on foreign source income. The maximum effective tax rate is 3%.

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) Tax expense

	2017	2016
	USD	USD
Current tax	<u>10,456</u>	<u>184,786</u>

(ii) (Tax asset)/ Tax liability

	2017	2016
	USD	USD
Balance at beginning of the year	43,316	85,479
Payment	(61,620)	(226,949)
Charge for the year	<u>10,456</u>	<u>184,786</u>
Balance at end of the year	<u>(7,848)</u>	<u>43,316</u>

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

5. TAXATION (CONTINUED)

(iii) Tax reconciliation

	2017 USD	2016 USD
Loss/Profit before taxation	<u>(15,019,671)</u>	<u>5,010,175</u>
Tax rate at 15%	(2,252,951)	751,526
Unauthorised deductions	2,305,233	172,393
Tax credit (80%)	<u>(41,826)</u>	<u>(739,133)</u>
Tax expense	<u>10,456</u>	<u>184,786</u>

6. AVAILABLE-FOR-SALE INVESTMENTS

Name of company	Country of Incorporation	% Holding	Principal activity	Cost	Cost
				2017 USD	2016 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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

7. INTANGIBLE ASSETS

	2017 USD	2016 USD
Management and Advisory Contracts	<u>2,970,787</u>	<u>20,295,411</u>

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 but are now estimated at 8 to 9 years.

In March 2015, the board of Yatra, parent company of K2, had created two subsidiaries to enable the Company to raise funds for investment in the Indian real estate sector and infrastructure sector. The intent was to do the first raise for real estate investments followed by infrastructure.

Considering the growing uncertainty in the new fund raise process due to changed economic situation on account of Brexit as well as other European countries thinking of moving out of Euro zone, the entire fund raise process was likely to be extended beyond the earlier timeline.

Further, the Company had also acquired on 1 January 2017, intangible assets of USD 250,000 through amalgamation with IIML Advisors LLC (“IIML”) based on the future advisory contracts held by IIML. The said contracts were assessed for impairment and on conservative basis, given the uncertainty surrounding the contracts, it was written off on 31 March 2017.

Accordingly, a proportion of the carrying amount of the intangible assets has been written off by USD 14,745,087.

The remaining value of the Management and Advisory Contracts as at 31 March 2017 is USD 2,970,787.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

7. INTANGIBLE ASSETS (CONTINUED)

<u>Cost</u>	2017 USD	2016 USD
Balance at beginning of year	36,813,000	36,813,000
Receipt on refund of capital contribution from Saffron Investment Trust	(500,000)	-
Acquired on amalgamation	250,000	-
Intangible assets written off	(14,745,087)	-
Balance at end of year	<u>21,817,913</u>	<u>36,813,000</u>
 <u>Amortization</u>		
Balance at beginning of year	16,517,589	13,552,239
Charge for the year	2,329,537	2,965,350
Balance at end of year	<u>18,847,126</u>	<u>16,517,589</u>
 Carrying amount at end of year	 <u>2,970,787</u>	 <u>20,295,411</u>

Included in the initial cost of intangible assets of USD 38,700,000 was an amount of USD3,500,000 which represented the contribution that the Company made in Saffron Investment Trust (the "Trust"). The Company is the sole beneficiary of the Trust which is established in Mauritius. The capital contribution is of indefinite life and is not subject to amortisation. During the year, the Trust has repaid capital contribution amounting to USD500,000 to the Company (2016: Nil). The residual amount of contribution held in the Trust is carried at USD 802,012 (2016: 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
FOR THE YEAR ENDED 31 MARCH 2017

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Building	Freehold improvements	Computer Equipment	Office Equipment	Furniture	Motor Vehicles	Total
	USD	USD	USD	USD	USD	USD	USD
AT COST							
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
At 1 April 2016	340,617	162,272	69,160	52,735	36,267	227,516	888,567
Additions	-	-	-	681	-	-	681
Disposals	(340,617)	(162,272)	(29,493)	(32,650)	(27,215)	(151,222)	(743,469)
At 31 March 2017	-	-	39,667	20,766	9,052	76,294	145,779
DEPRECIATION							
At 1 April 2015	96,558	162,166	58,599	40,755	28,918	218,208	605,204
Charge for the year	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
At 1 April 2016	119,264	162,272	63,013	46,959	35,477	227,516	654,501
Charge for the year	15,427	-	4,814	5,000	757	-	25,998
Disposals	(134,691)	(162,272)	(29,138)	(31,193)	(27,182)	(151,222)	(535,698)
At 31 March 2017	-	-	38,689	20,766	9,052	76,294	144,801
NET BOOK VALUE							
At 31 March 2017	-	-	978	-	-	-	978
At 31 March 2016	221,353	-	6,147	5,776	790	-	234,066

IL&FS INVESTMENT ADVISORS LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

9. (I) TRADE RECEIVABLES

	2017 USD	2016 USD
Management fees IL&FS India Realty Fund LLC	27,304	-
Management fees IL & FS India Realty Fund II LLC	-	976,238
Management fees Tara India Fund III, LLC	7,832,483	6,034,938
Branch trade receivable	1,449,965	2,338,219
Management fees Tara India Fund IV LLC	152,648	114,750
	<u>9,462,400</u>	<u>9,464,145</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

	2017 USD	2016 USD
91-120 days	161,086	1,959,833
121-180 days	320,522	316,449
More than 180 days	8,485,820	5,482,359
	<u>8,967,428</u>	<u>7,758,641</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

	2017 USD	2016 USD
Other receivables	341,185	388,809
Deposit/ Advances of Branch	77,734	119,641
Prepayments	47,498	59,714
	<u>466,417</u>	<u>568,164</u>
Total Trade and Other Receivables	<u>9,928,817</u>	<u>10,032,309</u>

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

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

II) OTHER RECEIVABLES (CONTINUED)

Other Receivables that are past due and provided for

	2017 USD	2016 USD
Other Receivables	30,882	54,646
Provision for doubtful debts	<u>(14,331)</u>	<u>(18,650)</u>
	<u>16,551</u>	<u>35,996</u>

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

	2017 USD	2016 USD
Opening balance	18,650	34,691
Provisions made during the year	-	7,537
Provisions no longer required	<u>(4,319)</u>	<u>(23,578)</u>
Closing balance	<u>14,331</u>	<u>18,650</u>

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

	2017 USD	2016 USD
Gross value	14,331	18,650
Provision	<u>(14,331)</u>	<u>(18,650)</u>
Carrying value	<u>-</u>	<u>-</u>

10. CASH AND CASH EQUIVALENTS

	2017 USD	2016 USD
Cash at bank	7,756,359	7,215,326
Cash in hand	<u>55,300</u>	<u>3,293</u>
	<u>7,811,659</u>	<u>7,218,619</u>

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

11. STATED CAPITAL

	2017	2016
	USD	USD
57,000 Ordinary Shares of USD1 each	<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

	2017	2016
	USD	USD
100,000 redeemable participating shares of USD0.01 each	<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

	2017	2016
	USD	USD
Non-Current Liability		
Provision for staff end of service gratuity	<u>167,953</u>	<u>698,291</u>

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

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

14. (I) TRADE PAYABLES

	2017 USD	2016 USD
Advisory fees payable to IL&FS Investment Managers Limited	164,555	-
Advisory fees payable to IIML Asset Advisors Ltd	237,153	307,681
	<u>401,708</u>	<u>307,681</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.

14.(II) OTHER PAYABLES

	2017 USD	2016 USD
Other payables	331,689	546,535
Other provisions - Branch	388,582	382,672
Management fees received in advance	-	96,655
Audit fees accrued	21,745	8,050
	<u>742,016</u>	<u>1,033,912</u>

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

Total Provisions, Trade and Other Payables	<u>1,143,724</u>	<u>1,341,593</u>
---	------------------	------------------

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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

15 FINANCIAL INSTRUMENTS (CONTINUED)

15.2 *Categories of financial instruments*

	2017 USD	2016 USD
Financial assets		
Trade and other receivables	9,828,111	9,909,979
Cash and cash equivalents	7,811,659	7,218,619
Available for sale financial assets	2,004	2004
	<u>17,641,774</u>	<u>17,130,602</u>
Financial liabilities		
Provisions, trade and other payables	<u>1,139,262</u>	<u>1,244,938</u>

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:

	2017 USD	2016 USD
Trade receivables	<u>9,462,400</u>	<u>9,464,145</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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

15 FINANCIAL INSTRUMENTS (CONTINUED)

15.4 *Credit risk (continued)*

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

	2017	2016
	USD	USD
Management fees Tara India Fund III LLC	82.78%	63.77%
Branch trade receivables	15.32%	24.70%
Management fees Tara India Fund IV LLC	1.61%	1.21%
Management fees IL & FS India Realty Fund II LLC	-	10.32%
Management fees IL&FS India Realty Fund LLC	0.29%	-
	<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.

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.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

15 FINANCIAL INSTRUMENTS (CONTINUED)

15.6 Liquidity risk (continued)

Maturity profile of financial liabilities

2017

	Up to 1 year USD	Total USD
Non- interest bearing instruments	1,139,262	1,139,262
	<u>1,139,262</u>	<u>1,139,262</u>

2016

	Up to 1 year USD	Total USD
Non- interest bearing instruments	1,244,938	1,244,938
	<u>1,244,938</u>	<u>1,244,938</u>

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 ("AED"). The Company is, therefore, exposed in movement of the USD/AED exchange rate.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

15 FINANCIAL INSTRUMENTS (CONTINUED)

15.7 Foreign currency risk (continued)

	5 % Increase AED Impact 31 March 2017	5 % Decrease AED Impact 31 March 2017	5 % Increase AED Impact 31 March 2016	5 % Decrease AED Impact 31 March 2016
Effect on:				
Financial Assets	80,515	(72,847)	129,440	(117,113)
Financial Liabilities	20,452	(18,504)	56,893	(51,474)

Currency profile

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

	Financial Assets 2017 USD	Financial liabilities 2017 USD	Financial Assets 2016 USD	Financial liabilities 2016 USD
UAE Dirhams	1,529,791	388,582	2,459,365	382,672
Mauritian Rupee	11,999	-	11,609	-
US Dollars	16,070,962	750,680	14,659,628	862,266
Great Britain Pounds	10,910	-	-	-
Euro	18,112	-	-	-
Total	<u>17,641,774</u>	<u>1,139,262</u>	<u>17,130,602</u>	<u>1,244,938</u>

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
FOR THE YEAR ENDED 31 MARCH 2017

16. RELATED PARTY TRANSACTIONS

Name of Related Party	Relationship	Nature of transaction	Volume of transaction 2017 USD	Volume of Transaction 2016 USD	Balance at 2017 USD	Balance at 2016 USD
International Financial Services Limited	Administrator, Secretary and Directorship	Professional fees (Including director fees)	66,523	62,794	(20,943)	-
IL&FS Investment Managers Limited	Shareholder/ Advisor	Advisory fees, other operating expenses and dividend	7,051,786	12,363,625	(170,048)	-
IIML Asset Advisors Limited	Advisor	Advisory fees and other operating expenses	1,007,002	1,346,166	(237,153)	(307,681)
Saffron Investment Trust	Beneficiary as per Trust's deed	Receipt on distribution from Trust	500,000	-	-	-
IL&FS Energy Development Company Ltd	Fellow subsidiary	Consultancy services	-	-	-	6,198
IL & FS Global Financial Service (ME) Limited	Fellow subsidiary	Other operating expenses	(26,201)	76,294	(8,086)	-
IL&FS Global Pte Limited	Fellow subsidiary	Consultancy services	160,000	1,774,999	210,000	1,599,999
IL & FS Milestone Realty Advisors Pvt Ltd	Joint Venture	Consultancy services	-	-	1,210	1,210
IL & FS Maritime International FZE	Fellow subsidiary	Consultancy services and other operating expenses	62,090	94,840	-	-
IL&FS Prime Terminals FZC	Fellow subsidiary	Consultancy services	-	-	2,413	-
IL&FS Investment Advisors (Branch)	Branch	Key Management Personnel	138,546	1,356,205	(132,243)*	(808,739)*

IL&FS INVESTMENT ADVISORS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

16. RELATED PARTY TRANSACTIONS (CONTINUED)

	31 March 2017 USD	31 March 2016 USD
* Compensation of key management personnel payable		
Remuneration and benefits payable (included in accruals and other payables)	(17,441)	(237,841)
Post-employment benefits (included in provision for staff end-of-service benefits)	<u>(114,802)</u>	<u>(570,898)</u>

17. DIVIDEND

During the year, the Company declared dividend of **USD15** (2016: USD30) per share amounting to **USD1,500,000** (2016: USD3,000,000) to its Redeemable Participating Shareholder which was paid on **4 August 2016** (2016: 4 February 2016).

18. HOLDING COMPANY

The directors regard IL&FS Investment Managers Limited, a company incorporated and listed in India as the Company's holding company.

19. SCHEME OF ARRANGEMENT AND AMALGAMATION

On 2 March 2017, the Board had approved a Scheme of Arrangement and Amalgamation (the "Scheme") between IIML Advisors LLC ("IIML") (a company incorporated under the Mauritius Companies Act 2001 and holding a Category 1 Global Business Licence and having the same beneficial shareholder as the Company) and the Company, and their respective shareholders and creditors which provides for the transfer and vesting of the whole of the business and assets and liabilities of IIML into the Company and its dissolution without winding up under the provisions of Section 261 to 264 and any other applicable provisions, if any, of the Mauritius Companies Act, 2001 and in accordance with the Constitution of the Company and subject to requisite approval of the shareholders and the creditors of the Company, the Bankruptcy Division of the Supreme Court of Mauritius and any other authorities as may be required in law. The Company will issue 1 fully paid up Ordinary Share of USD 1 each for every 1 ordinary share held by the shareholder of IIML and 1 Redeemable Participating Share-Series 1 of USD 0.01 each for every 1 Redeemable Participating Share held by the shareholder of IIML.

The Supreme Court of Mauritius has approved the Scheme on 26 April 2017. The Appointed Date as per the Scheme is 1 January 2017.

As per the Scheme, the Company has taken over the assets and liabilities of IIML with effect from 1 January 2017 and the intangible assets of an amount of USD14,495,087 have been adjusted in accordance with the Scheme.

IL&FS INVESTMENT ADVISORS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

19 SCHEME OF ARRANGEMENT AND AMALGAMATION (CONTINUED)

Details of assets and liabilities of IIML amalgamated at 1 January 2017 are as follows:

	USD
<u>Non-Current assets</u>	
Intangible Asset (based on future advisory contracts of IIML)	250,000
<u>Current assets</u>	
Prepayments	2,226
Cash and cash equivalent	7,258
Total assets	<u>259,484</u>
<u>Current liabilities</u>	
Accruals	18,150
Total liabilities	<u>18,150</u>
<u>Consideration</u>	
1 Ordinary shares of USD1 each	1
24,999,900 Redeemable Participating Shares Series I of USD0.01 each	249,999
	<u>250,000</u>
<u>Effect of Amalgamation</u>	<u>(8,666)</u>

The above consideration shares have been issued to IL&FS Investment Managers Limited by the Company on 26 April 2017.