Oberoi Realty Limited
(formerly known as Kingston Properties Private Limited)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ASSETS AND LIABILITIES AND PROFITS AND LOSSES

A) Oberoi Realty Limited (formerly known as Kingston Properties Private Limited) ('the Company' / 'the Parent' / 'the Holding Company'), it's subsidiaries and their joint ventures (herein after collectively referred to as 'the Group') are primarily engaged in the business of development of various classes of Real Estate namely Residential, Office Space, Retail, Social Infrastructure, etc and Hospitality.

B) SIGNIFICANT ACCOUNTING POLICIES:

1) Basis of Accounting:
The accompanying Consolidated Financial Statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The Consolidated Financial Statements have been prepared under the historical cost convention. The accounts of the Company, the subsidiary companies and the joint venture entities have been prepared in accordance with the Accounting Standard 21 and Accounting Standard 27 issued by the Institute of Chartered Accountants of India.

2) Principles of Consolidation:
The Consolidated Financial Statements have been prepared on the following basis:

I) Subsidiaries

a) The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra- group balances and intra-group transactions and resulting unrealised profits and losses, if any.

b) The excess of cost, if any, to the Company of its investments in the subsidiary over the Company's portion of equity of the subsidiary, as at the date of its investment or the date immediately preceding the date of investments is recognised in the Financial Statements as Goodwill, which is amortised over the period of reasonably expected revenue stream from the project, however such period would not exceed ten years.

c) The excess, if any of Company's portion of equity of the subsidiary over the cost to the Company of its investments in the subsidiary as at the date of its investment or the date immediately preceding the date of investments is treated as Capital Reserve.

d) As far as possible, the Consolidated Financial Statements of the Holding Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner, as the Company's Unconsolidated Financial Statements.

e) Minority interest, if any, in the Net Assets of consolidated subsidiaries consist of:

i) the amount of equity attributable to minority shareholders as at the date of its investment or the date immediately preceding the date of investments in the subsidiary; and

ii) the minority shareholders' share of movements in equity since the date the holding subsidiary relationship came into existence.

II) Investment in joint ventures:

The Financial Statements of entities, where there is a joint control (pursuant to a contractual arrangement), have been combined by using Proportionate Consolidation Method and accordingly, Company's share of each of the assets, liabilities, income and expenses of jointly controlled entity is consolidated as per Accounting Standard (AS- 27) 'Financial Reporting of Interests in Joint Ventures'.

3) **Use of Estimates:**
The preparation of Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the Consolidated Financial Statements and reported amounts of revenues and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively when revised.

4) **Fixed Assets / Capital Work In Progress:**
Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition / construction of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. The cost also includes direct cost and other related incidental expenses. Revenue earned, if any during trial run of capital assets is adjusted against pre operative expenses. Capital Work in Progress includes the capital advances, if any.

5) **Depreciation / Amortisation:**
I) Tangible Assets

Depreciation has been calculated in accordance with Section 205(2) (b) of the Companies Act, 1956, as under:

a) Depreciation is provided from the date the assets were put to use on Straight Line Method, at the rates prescribed under Schedule XIV of the Companies Act, 1956. However, if the rate arrived at after considering the amortisation of the cost (after reducing estimated residual value) over balance useful life of the asset is higher, then the depreciation is provided at that rate. Higher depreciation rates used are as follows:

Porta Cabin	25%
Mobile Handset and Computers	33%
Vehicles	20%

b) Fixed assets with value less than or equal to Rs. 5,000 each are fully depreciated, in the year of purchase, as per the provisions of Schedule XIV of the Companies Act, 1956.

II) Intangible Assets
These are amortised over their useful life, not exceeding five years.

III) Leasehold land is amortised on the basis of duration and other terms of lease.

6) **Impairment of Fixed Assets**
The carrying amount of assets is reviewed periodically for any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price or value in use.

7) **Investments:**
Investments are classified into current and long-term investments. Current investments are stated at the lower of cost or fair value. Long term investments are stated at cost less permanent diminution in value, if any.

8) **Segment Reporting**:

The Group's reporting segments are identified based on activities, risk and reward structure, organisation structure and internal reporting systems. Segment revenue and expense include, amounts, which can be directly attributable to the segment and allocable on reasonable basis. Segment assets and liabilities are operating assets/liabilities employed/incurred by the segment which are directly attributable to the segment or can be allocated on a reasonable basis. Income/expenses relating to the enterprise as a whole and not allocable on a reasonable basis to business segments are reflected as unallocated corporate income/expenses.

9) **Valuation of Inventories:**

Material and consumables - The materials and consumables purchased for and issued to construction work in progress are treated as consumed and shown as part of work in progress.

Work-in-progress / Projects-in-Progress - Construction work in progress includes cost of land, premium for development rights, construction costs, finance cost and other allocated overheads incidental to the projects undertaken by the Company.

Finished Goods - Inventories of ready units are valued at cost or market value, whichever is less.

Food & Beverages - Stock of food & beverages are carried at cost, computed on a moving weighted average basis and net of tax benefits or Net Realizable Value, whichever is lower. Cost includes all expenses incurred in bringing the goods to their present location and condition.

Operating supplies such as guest amenities, maintenance supplies and rack brochures are expensed as purchased.

10) **Revenue Recognition:**

I) The Group follows the Percentage of Project Completion Method for its projects. Under this method, the Group recognises revenue in proportion to the actual cost incurred as against the total estimated cost of the project under execution subject to completion of construction work to a certain level depending on the type of the project.

Land and TDR cost is not included in computing the percentage of completion for recognising revenue.

Revenue is recognised either on execution of an agreement or a letter of allotment.

The estimates relating to percentage of completion, costs to completion, saleable area, etc being of a technical nature are revised periodically by the management and are considered as change in estimates and accordingly, the effect of such changes in estimates is recognised in the period in which such changes are determined.

II) Income from operation of commercial complexes is recognised on accrual basis in accordance with the terms of the relevant agreement.

III) Dividend Income is recognised when the right to receive dividend is established.

IV) Income and Expenditure are accounted on accrual basis except, interest on delayed payments made by debtors, which is accounted on acceptance of the Company's claim.

V) Revenue from letting out property and property management services is disclosed net of Service Tax, if any.

VI) Revenue from Rooms, Restaurants, Banquets and Other Services comprise of sale of rooms, food and beverages, allied services relating to hotel operations, including income from telecommunication services and rentals.

Room revenue is recognized based on occupancy, revenue from sale of food & beverages and other allied services, as the services are rendered and are net of trade discounts and taxes.

11) **Foreign Currency Transactions:**

Transactions in foreign currency are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of the transaction.

Foreign currency current assets and current liabilities outstanding at year-end are translated at year-end exchange rate and the unrealised exchange gain or loss is recognised in the profit and loss account. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss account.

Exchange differences arising on payment of liabilities incurred in relation to purchase / construction of fixed assets and year-end conversion of such liabilities are recognised as income or expenses in the year in which they arise.

12) **Lease Rental:**

Lease arrangements where the risk and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating lease. Lease rent under operating lease is charged to Profit and Loss Account on Straight Line basis over the lease term, unless there is another systematic basis which is more representative of the time pattern of the Lease.

Assets given under operating leases are included in Fixed Assets. Lease income is recognised in the Profit and Loss Account on Straight Line Basis over the lease term, unless there is another systematic basis which is more representative of the time pattern of the Lease.

13) **Taxation:**

I) Provision for Income Tax is made under the liability method after availing exemptions and deductions at the rates applicable under the Income Tax Act, 1961.

II) Deferred Tax resulting from timing difference between book and tax profits is accounted for using the tax rates and laws that have been enacted as on the balance sheet date.

III) Deferred Tax Assets arising on the temporary timing differences are recognised only if there is reasonable certainty of realisation.

14) **Contingent Liabilities**

I) A provision is recognised when:

a) The company has a present obligation as a result of a past event;

b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c) A reliable estimate can be made of the amount of the obligation

II) A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

III) Where there is a possible obligation or a present obligation such that the likelihood of outflow of resources is remote, no provision or disclosure is made.

15) **Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition / construction of qualifying fixed assets or for long - term project development are capitalised as part of their costs.

Borrowing costs are considered as part of the project cost till the activities that are necessary to prepare the project for sale are in progress.

Other borrowing costs are recognised as an expense, in the period in which they are incurred.

16) **Retirement Benefits**

Contributions to the Provident Fund and Pension Fund are recognised in the Profit and Loss account.

Provision for Gratuity and Leave Encashment are calculated on the basis of actuarial valuations made at the end of each financial year and are charged to the Profit and Loss account during the year. Actuarial gains and losses are recognised immediately in the Profit and Loss account.

17) **Earnings Per Share**

Basic earnings per share is calculated by dividing the net profit / (loss) for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by weighted average number of Equity Shares outstanding during the year.

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

C) NOTES TO CONSOLIDATED FINANCIAL STATEMENT OF ASSETS AND LIABILITIES, AND CONSOLIDATED FINANCIAL STATEMENT OF PROFITS AND LOSSES

1) Details of entities included in these Consolidated Financial Statements are as under.

Name	**% of Ownership Interest as at March 31,**				
	2006	**2007**	**2008**	**2009**	**2010**
Wholly owned subsidiaries					
Oberoi Constructions Private Limited	-	100%	100%	100%	100%
Oberoi Mall Private Limited	100%	100%	100%	100%	100%
Kingston Hospitality and Developers Private Limited	-	100%	100%	100%	100%
Triumph Realty Private Limited	-	-	100%	100%	100%
Perspective Realty Private Limited (Note a)	-	-	100%	100%	100%
Expressions Realty Private Limited	-	-	100%	100%	100%
Kingston Property Services Private Limited	-	-	100%	100%	100%
Joint venture entities					
Siddhivinayak Realties Private Limited (Note b)	-	50%	50%	50%	50%
Splendor Developers Private Limited (Note c and d)	-	50%	50%	50%	Nil (Note d)
Sangam City Township Private Limited	-	30%	30%	31.67 %	31.67%
Shashbindu Constructions Private Limited	-	-	-	49.90 %	Nil (Note e)
Oasis Realty					(Note f)

Notes:

a) With effect from June 20, 2009 Perspective Realty Private Limited has ceased to be subsidiary of the Company and has become a wholly owned subsidiary of Oberoi Constructions Private Limited, another wholly owned subsidiary of the Company.

b) Ownership interest in Siddhivinayak Realties Private Limited, is held by Oberoi Constructions Private Limited.

c) Ownership interest in Splendor Developers Private Limited, was held by Kingston Hospitality and Developers Private Limited.

d) On September 30, 2009, Kingston Hospitality and Developers Private Limited has sold its entire holding in its joint venture Splendor Developers Private Limited.

e) On September 25, 2009, the Company has sold its entire holding in its joint venture Shashbindu Constructions Private Limited.
f) Interest in Unincorporated joint venture, 'Oasis Realty' is held through Oberoi Constructions Private Limited. (Refer to Note No. 4 given below)
g) All the above entities are incorporated in India.
h) One of the subsidiaries, OCPL holds 25% share in 'Zaco Aviation', an unincorporated Association of Persons which was formed in connection with the acquisition of a helicopter on co-ownership basis. Group's share of Assets is accounted on co-ownership basis and the Group's share in Gross Value of Fixed Assets as at March 31, 2010 is Rs. 83.74 million.

2) Nature of some transactions with related parties

I) In respect of Company's school property at Goregaon, Mumbai, the Company has entered into Leave and Licence agreement with Oberoi Foundation, a Public Charitable Trust. Mr. Vikas Oberoi and Ms. Bindu Oberoi, directors of the Company are also Trustees of Oberoi Foundation.

As per the Leave and Licence Agreement, the Company is eligible for minimum guaranteed licence fees ('MGLF') and / or percentage sharing of revenue. This arrangement of revenue sharing will come into effect from the academic year of the school commencing after the Company obtaining the full Occupation Certificate in respect of School Building. As on March 31, 2010, the Company has received only partial Occupation Certificate and hence the Company is not entitled to any MGLF or revenue sharing for the year ended March 31, 2010.

II) The Company, it's subsidiaries, their joint ventures and Promoter Group use the Registered Trademark 'Oberoi' with the suffix 'Constructions' and 'Realty' for their Real Estate Business. Oberoi Constructions Private Limited which owns this Registered Trademark, has issued No Objection Certificates to the Company, it's subsidiaries, their joint ventures and Promoter Group for use of the same.

3) During the year ended March 31, 2010, OCPL, one of the subsidiaries, has entered into an unincorporated joint venture called 'Oasis Realty' for development of a plot of land at Worli, Mumbai. The project being a Slum Rehabilitation Project, it comprises of two components:

1. the rehabilitation component – the construction of which is the responsibility of the other JV partners; and
2. the free sale component – the construction of which is the responsibility of OCPL.

The shares of OCPL and the other JV partners in, inter alia, the sale proceeds of free sale component are determined as under:

a) Firstly, a pre-determined amount is deducted from the sale proceeds towards the construction cost of the free-sale component.
b) The balance amount (i.e. the sale proceeds less the pre-determined amount) is allocated between OCPL and the other JV partners in pre-determined ratios depending upon the gross sale price per sq. ft. of premises forming part of the free sale portion. OCPL's gross share of revenue ranges between 25% to 40% of the balance amount, depending upon the gross sale price per sq. ft. of premises forming part of the free sale portion.

The share of profits of the other JV partners is calculated by adjusting, inter alia, the cost of construction of the rehabilitation component against their share of the sale proceeds calculated in accordance with para (b) above.

The actual construction cost incurred for the free sale component is adjusted against the pre-determined amount mentioned in para (a) above and any surplus or deficit thereof would be allocated to OCPL. OCPL would also be entitled to the share of sale proceeds calculated in accordance with para (b) above.

The tax liability of the JV will be allocated to each JV partner in the ratio of their net profits.

In case of development of a hospitality and / or service apartment project on the property, the same would be undertaken by a SPV wherein OCPL's ownership and income would be 36.25 % and the balance stake would be held by the other JV partners.

OCPL is liable to pay to the other JV partners an interest free adjustable deposit of Rs. 3,000 million, out of which, as at March 31, 2010, OCPL has paid Rs. 2,600 million. Balance Rs. 400 million is