# SHREE SIDDHI INFRABUILDCON LLP

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST March, 2014

1 **LLP Information**

The main object of the LLP is to undertake Infrastructural activities including Development & Construction of Townships/Societies/Industrial Park/Estates etc. either alone or jointly with one or more persons, government, local and other bodies in India or elsewhere and to deal in real estate.

**The Arrangement**

The LLP and Godrej Properties Ltd. (Nodal) has entered into an Agreement to Grant Development Rights (AGDR) for the purpose of development of a Township Project under the name Godrej Garden City, in a Phased Manner on the Land admeasuring 250 acres, setting out the terms on which development rights shall be granted by the LLP in favour of the Nodal in respect of the said Property for the development of Township.

As per the Agreement, the LLP in its own name or its nominee shall acquire the said Land and give Development Rights in favour of said property to Nodal (the exclusive Developer of the property), with free, clear and marketable title. The development and implementation of the project shall be carried out by Nodal and the Nodal shall have exclusive right for marketing and sale of the entire Finished Goods.

For the purpose of acquisition of Land, the LLP has entered into MOU with Individual Land Owners whereby the LLP will be liable and responsible to negotiate with Land Owners for acquisition / purchase of such proposed Lands as regards Price or consideration and other terms and conditions for clear and marketable title, till the same are legally, properly and absolutely vested in their favour. The LLP will pay a sum of Rs. 10 /- per sq.mtr. over and above the cost of the land to the Individual Land Owners as Facilitation Charges for giving the Development Rights in favour of the Nodal.

**Arrangement for consideration from Phase I to Phase IV – Area Sharing**

As a consideration the LLP shall receive an agreed Percentage of the DEVELOPED AREA (FINISHED GOODS) of the project, identified mutually between the parties upon the plans, specifications and designs of the Project sanctioned as Township Project under the Township Guidelines of the Government/ Regulatory Authority.

**Arrangement for PhaseV onwards – Revenue Sharing**

As per the Supplementary Development Agreement, from Phase V onwards the above arrangement has been changed from area sharing to revenue sharing model, wherein all the billing and collection will be done by GPL and Revenue (net of expenses viz. Service Tax, brokerage expenses etc.) will be discharged to LLP in the ratio as agreed upon from time to time.

As per the Agreement, the Nodal has paid Refundable Interest Free Deposits from time to time to the LLP, which is repaid through ESCROW account arrangement from the proceeds of consideration received by the LLP.

**The Financial Statements are being prepared on the basis of the above arrangement.**



Parikh & Co. Ahmedabad Chartered Accountants

2 **SIGNIFICANT ACCOUNTING POLICIES** adopted by the LLP in the preparation and presentation of the Accounts: -

a) **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention using the accrual basis of accounting and according to generally accepted accounting principles.

b) **USE OF ESTIMATES**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized in the period in which such revisions are made.

c) **INVENTORIES**

Inventories include costs incurred for the project viz. cost of title clearance of land, materials, services and other expenses directly attributable to the project.

d) **REVENUE RECOGNITION**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the LLP and the revenue can be reliably measured.

Hence the LLP will account for its revenue on the execution of the Sale Deed when:
(i) the property in the goods (flats) are actually transferred to the ultimate buyer for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods (flats) transferred to a degree usually associated with ownership; and

(ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the flats.

e) **FIXED ASSETS**

Fixed Assets are stated at cost of acquisition. They are stated at historical cost less accumulated depreciation and impairment losses if any.

f) **TAXES ON INCOME**

i. **DEFERRED TAXATION**

As there is no timing difference, deferred tax asset/liability has not been provided for in the books of accounts.

ii. **CURRENT TAXATION**

Current tax charge reflects provision for income tax based on the taxable income of the concern after considering taxable income as per the local tax laws applicable. While ascertaining the taxable income for the current year, the brought forward losses of the concern, if any, have also been considered.



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g) **BORROWING COSTS**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

h) **INVESTMENT**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.
Current Investments are carried at the lower of cost and fair value, computed category wise.

i) **CONTINGENCIES/PROVISIONS**

The LLP creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

- **NOTES ON ACCOUNTS :-**

1. Service Tax has been discharged and accounted for as per the provisions of section 68 of Finance Act, 1994.
2. Going with the **Matching Principle** of accounting **Commission Paid** to brokers towards booking of Flats will be charged to Revenue upon execution of Sale Deed.
3. Amount received towards booking of Flats and subsequent installments has been accounted as **Advances from Customers**.
4. Similarly, Advance to Related parties include advance paid to parties from whom **Development Rights** are acquired.
5. Where external evidence in the form of vouchers towards expenses are not available to us we have relied upon the internal vouchers prepared and authenticated by the Partner and as well as written in the books of accounts.
6. Current year figures have been regrouped and rearranged wherever necessary and rounded off upto nearest rupee.

**For Dharmesh Parikh & Co.**
Chartered Accountants
**Firm Reg No : 112054W**

**DHAWAL JANI**
Partner
Membership No. 129361

Dharmesh Parikh & Co. Ahmedabad Chartered Accountants

PLACE : Ahmedabad
DATE : 21/01/2016

For and on behalf of the LLP

Partner

Partner

PLACE : Ahmedabad
DATE : 21/01/2016