

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Special Purpose Unaudited Consolidated Interim Condensed Ind AS Balance Sheet as at September 30, 2018

(All amounts in Rupees Crores, except otherwise stated)

	As at September 30, 2018 (Unaudited)	As at March 31, 2018 (Audited)
I. ASSETS		
Non-current assets		
Property, plant and equipment	2,013.40	1,986.96
Capital work-in-progress	471.76	347.86
Intangible assets	58.87	56.90
Intangible assets under development	0.29	1.21
Investment in joint venture	12.38	11.02
Financial assets		
- Bank balances other than cash and cash equivalents	-	1.53
- Other non current financial assets	425.76	83.04
Non current tax assets	26.73	24.06
Deferred tax asset (net)	335.53	269.40
Other non-current assets	77.19	94.99
	3,421.91	2,876.97
Current assets		
Inventories	57.02	56.86
Financial assets		
- Investments	902.35	941.08
- Trade receivables	165.57	129.47
- Bank balances other than cash and cash equivalents	120.15	71.38
- Cash and cash equivalents	629.09	598.55
- Loans	1.06	2.73
- Other current financial assets	40.19	18.93
Current tax assets	16.36	15.45
Other current assets	23.03	11.45
	1,954.82	1,845.90
Total Assets	5,376.73	4,722.87
II. EQUITY AND LIABILITIES		
EQUITY		
Equity share capital	378.00	378.00
Other equity		
- Capital reserve	107.00	107.00
- Retained earnings	410.24	148.56
- Cash flow hedge reserve	108.10	14.74
Equity attributable to equity holders of the parent	1,003.34	648.30
Non-controlling interest	62.17	58.27
Total Equity	1,065.51	706.57
LIABILITIES		
Non-current liabilities		
Financial liabilities		
- Borrowings	3,295.24	3,045.84
- Other financial liabilities	252.52	241.67
Government grants	43.49	46.13
Deferred tax liability (net)	131.05	125.93
Other non-current liabilities	72.91	67.06
Long term provisions	1.96	1.65
	3,797.17	3,528.28
Current liabilities		
Financial liabilities		
- Borrowings	28.00	28.00
- Trade payables	138.21	136.51
- Other financial liabilities	220.61	239.90
Government grants	5.27	5.27
Other current liabilities	50.97	42.27
Short term provisions	14.52	12.66
Current tax liability (net)	56.47	23.41
	514.05	488.02
Total Equity and Liabilities	5,376.73	4,722.87
Explanatory notes annexed		

The accompanying notes are an integral part of the Special Purpose Unaudited Consolidated Interim Condensed Ind AS financial information.

For GMR Hyderabad International Airport Limited

Sd/-	Sd/-
SGK Kishore	Rajesh Arora
Chief Executive Officer	Chief Financial Officer
Place: Hyderabad	
Date: November 27, 2018	

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

**Special Purpose Unaudited Consolidated Interim Condensed Ind AS Statement of Profit and Loss for
the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)**

	For the six months period ended September 30, 2018 (Unaudited)	For the six months period ended September 30, 2017 (Unaudited)
REVENUE		
Revenue from operations	905.02	757.10
Other income	36.04	29.17
Finance income	19.14	27.11
Total revenue	960.20	813.38
EXPENSES		
Concession fee	29.95	25.52
Purchase of traded goods	28.52	17.18
Increase/decrease in inventory of traded goods	(0.58)	4.46
Employee benefits expense	90.94	67.77
Other expenses	202.08	169.78
Finance costs	110.10	125.28
Depreciation and amortization expenses	84.27	118.17
Total expenses	545.28	528.16
Profit before share of profit in joint venture and tax	414.92	285.22
Share of profit in joint venture	1.35	2.47
Profit before tax	416.27	287.69
Tax expense		
Current tax - Minimum alternate tax	89.29	63.40
Deferred tax		
Deferred tax expense	5.15	30.49
Minimum alternate tax credit entitlement	(66.13)	(47.49)
Total tax expense	28.31	46.40
Profit for the period	387.96	241.29
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement losses on defined benefit plans	(0.67)	(0.74)
Income tax relating to items that will not be reclassified to profit or loss	0.02	-
Items that will be reclassified to profit or loss		
Cash flow hedge reserve	93.36	-
Total comprehensive income for the year, net of tax	480.67	240.55
Profit attributable to		
Equity holders of the parent	382.28	233.10
Non controlling interest	5.68	8.19
Total comprehensive income attributable to		
Equity holders of the parent	475.04	232.39
Non controlling interest	5.63	8.16
Earnings per equity share		
Basic and diluted	10.11	6.17
Explanatory notes annexed		

The accompanying notes are an integral part of the Special Purpose Unaudited Consolidated Interim Condensed Ind AS financial information.

For GMR Hyderabad International Airport Limited

Sd/-
SGK Kishore
Chief Executive Officer
Place: Hyderabad
Date: November 27, 2018

Sd/-
Rajesh Arora
Chief Financial Officer

GMR Hyderabad International Airport Limited
CIN:U62100TG2002PLC040118

Special Purpose Unaudited Consolidated Interim Condensed Ind AS Cash Flow Statement
for the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)

	For the six months period ended September 30, 2018 (Unaudited)	For the six months period ended September 30, 2017 (Unaudited)
Cash flow from operating activities		
Profit before tax	416.27	287.69
Adjustment to reconcile profit before tax to net cash flows:		
Share of profit in joint venture	(1.35)	(2.47)
Depreciation and amortization expenses	84.27	118.17
Fair value loss/(gain) on financial instruments at fair value through profit or loss	0.82	(8.83)
Profit on derivatives	-	(0.83)
Inventories written off	0.14	0.26
Amortisation of deferred income	(1.17)	(0.30)
Provision for doubtful advances / debts	4.27	-
Unrealised foreign exchange loss/(gain)	(1.50)	(2.29)
Loss on sale / discard of property plant and equipment	(0.03)	0.08
Interest on financial assets at amortised cost	(19.14)	(27.11)
Amortization of interest on security deposits	0.12	0.03
Gain on sale of financial assets (mutual funds)	(24.74)	(10.12)
Reversal of provision no longer required	(0.59)	(0.09)
Interest on financial liabilities held at amortized cost	109.98	123.03
Income from government grants	(2.64)	(1.76)
Gain on fair valuation of financial assets (mutual funds)	(1.67)	(5.79)
Operating profit before working capital changes	563.04	469.67
Working capital adjustments:		
Increase in trade payables	1.95	2.26
Increase in other liabilities	15.72	26.47
Increase in other financial liabilities	33.79	9.09
Increase in provisions	1.50	0.80
Increase in government grants	-	11.14
(Decrease)/increase in trade receivables	(39.47)	5.18
(Decrease)/increase in inventories	(0.30)	3.51
Decrease in other assets	(12.27)	(10.14)
Decrease in other financial assets	(18.14)	(24.14)
Increase /(decrease) in loans	0.02	(0.16)
Cash generated from operations	545.84	493.68
Direct taxes (paid)/ refunds (net)	(59.82)	(16.87)
Net cash flow from operating activities (A)	486.02	476.81
Cash flows from investing activities		
Purchase of property plant and equipment, including capital work in progress, capital advances and intangible assets under development	(263.51)	(111.65)
Proceeds from sale of property, plant and equipment	0.03	0.00
Repayment of loans by joint venture	1.81	1.21
Purchase of financial assests (mutual funds)	(4,999.75)	(1,541.57)
Sale of financial assets (mutual funds)	5,083.92	1,434.76
Interest received	9.59	24.28
Investment income from deposits	(12.00)	(64.69)
Investment incom from margin money deposit	(35.24)	-
Net cash flow used in investing activities (B)	(215.17)	(257.67)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	70.07
Repayment of long-term borrowings	(4.68)	(138.00)
Proceeds from Short term borrowings	-	22.66
Interest paid	(120.92)	(120.85)
Termination of interest rate swap	-	8.83
Dividend paid	(95.94)	(102.25)
Dividend distribution tax paid	(19.72)	(20.03)
Net cash flow used in financing activities (C)	(241.26)	(279.57)

GMR Hyderabad International Airport Limited
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Special Purpose Unaudited Consolidated Interim Condensed Ind AS Cash Flow Statement
for the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)

	For the six months period ended September 30, 2018 (Unaudited)	For the six months period ended September 30, 2017 (Unaudited)
Net increase in cash and cash equivalents (A + B + C)	29.59	(60.44)
Cash and cash equivalents at the beginning of the period	598.55	327.73
Effects of exchange differences on cash & cash equivalents held in foreign currency	0.95	0.65
Cash and cash equivalents at the end of the period	629.09	267.94
Components of cash and cash equivalents		
Cash on hand	0.84	1.57
With banks		
- on current account	59.66	10.18
- in exchange earner foreign currency account	4.49	2.36
- cash credit / overdraft	-	0.66
- On escrow accounts	0.02	-
- on deposit account	563.71	253.08
Cash in transit	0.37	0.09
Total cash and cash equivalents (refer note 13)	629.09	267.94
Explanatory notes annexed		

Changes in liabilities arising from financing activities

Particulars		
Opening Balance	3051.77	2,532.19
Cash flows		
Repayments	(4.68)	(138.00)
Proceeds	-	70.07
Non Cash flows		
Foreign exchange movements	250.07	(1.28)
Fair value change	4.01	5.48
Closing balance	3,301.16	2,468.46

The accompanying notes are an integral part of the Special Purpose Unaudited Consolidated Interim Condensed Ind AS financial information.

For GMR Hyderabad International Airport Limited

Sd/-	Sd/-
SGK Kishore	Rajesh Arora
Chief Executive Officer	Chief Financial Officer

Place: Hyderabad
Date: November 27, 2018

GMR Hyderabad International Airport Limited

CIN:U62100TG2002PLC040118

Special Purpose Unaudited Consolidated Interim Condensed Statement of Changes in equity for the six months period ended September 30, 2018

(All amounts in Rupees Crores, except otherwise stated)

a. Equity share capital: Equity shares of Rs. 10 each issued, subscribed and fully paid As at April 1, 2017 Issue of shares As at March 31, 2018 Issue of shares As at September 30, 2018					No.		Amount	
					378,000,000		378.00	
					-		-	
					378,000,000		378.00	
-		-						
378,000,000		378.00						

b. Other equity						
	Attributable to the equity holders of the parent				Non-controlling interest	Total equity
	Reserves and surplus		Other reserves	Total		
	Capital reserve*	Retained earnings	Cash flow hedge reserve			
As at April 1, 2017	107.00	(234.93)	-	(127.93)	52.55	(75.38)
Profit for the year	-	565.63	-	565.63	14.79	580.42
Other comprehensive income	-	(0.16)	14.74	14.58	(0.02)	14.56
Total comperhensive income	-	565.47	14.74	580.21	14.77	594.98
Less: Cash dividends	-	(151.20)	-	(151.20)	(7.52)	(158.72)
Less: Dividend distribution tax		(30.78)		(30.78)	(1.53)	(32.31)
As at March 31, 2018	107.00	148.56	14.74	270.30	58.27	328.57
Adjustment on account of Aera Deprecaition		(3.81)		(3.81)		(3.81)
Adjustment on account of Ind As adjustment 115		(2.27)		(2.27)		(2.27)
Profit for the period	-	382.28	-	382.28	5.68	387.96
Other comprehensive income	-	(0.60)	93.36	92.76	(0.05)	92.71
Total comperhensive income	-	375.60	93.36	468.96	5.63	474.59
Less: Cash dividends	-	(94.50)	-	(94.50)	(1.43)	(95.93)
Less: Dividend distribution tax		(19.42)		(19.42)	(0.30)	(19.72)
As at September 30, 2018	107.00	410.24	108.10	625.34	62.17	687.51
Explanatory notes annexed						

*GHIAL has received a contribution of Rs. 107.00 crore from its shareholder i.e. Government of Telangana as per the terms of State Support Agreement for construction of Airport. This contribution received from Government of Telangana has been recognised as capital contribution from share holder of the Company.

The accompanying notes are an integral part of the Special Purpose Unaudited Consolidated Interim Condensed Ind AS financial information.

For GMR Hyderabad International Airport Limited

Sd/-
SGK Kishore
Chief Executive Officer
Place: Hyderabad
Date: November 27, 2018

Sd/-
Rajesh Arora
Chief Financial Officer

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial
Information for the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)

1. Corporate information

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information comprise Financial Information of GMR Hyderabad International Airport Limited ('GHIAL' or 'the Holding Company'), its subsidiaries (together referred to as "the Group") and jointly controlled entity (hereinafter collectively referred to as 'the Group') for the six months period ended September 30, 2018. GHIAL, was incorporated on December 17, 2002, for managing the operations of Rajiv Gandhi International Airport at Hyderabad. The Group is principally engaged in construction and maintenance of airport and various related activities.

The Group is engaged in operation of airport infrastructure and other allied services such as cargo handling, development of airport city and SEZ area near airport, trading of goods in duty free area of airport, security services and hospitality services, flight training academy, maintenance, repair and overhaul facility (MRO) of aircraft at near and around the airport etc.

2. Significant accounting policies

2.1 Basis of preparation

The company's management has prepared the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information for the six months period ended September 30, 2018 in accordance with the Ind AS 34 "Interim Financial Reporting" notified under the Companies (Indian Accounting Standards) Rules 2015 as amended from time to time.

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information have been prepared on a historical cost basis, except for the following assets and liabilities:

- Derivative financial instruments measured at fair value.
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).
- Employee defined benefit assets/(liability) are remeasured at the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation;
- Investments in joint ventures are accounted for using the equity method.

In addition, the carrying values of recognised assets and liabilities designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

These Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information have been prepared for the purpose of submission to the Singapore Stock Exchange as required under the indenture to the 4.25% Senior Secured Notes by the Company, listed on Singapore Stock Exchange.

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information are presented in INR and all values are rounded to the nearest crore, except when otherwise indicated.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Ind AS 115 Revenue from Contracts with Customers, mandatory for reporting periods beginning on or after April 1, 2018, replaces existing revenue recognition requirements. Under the modified retrospective approach an amount of Rs. 2.27 Crores have been adjusted to the retained earnings at April 01, 2018.

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial
Information for the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)

However, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial information.

The Group has followed the same accounting judgements, estimates and assumptions in preparation of these Special Purpose Unaudited Consolidated Condensed Ind AS Financial Information as those followed in preparation of annual financial statements for the year ended March 31, 2018.

2.2 Basis of Consolidation

The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information comprise Financial Information of the Company and its subsidiaries as at September 30, 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information from the date the Group gains control until the date the Group ceases to control the subsidiary.

Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial information in preparing the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information to ensure conformity with the group's accounting policies.

The financial information of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., six months period ended on September 30, 2018. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of GHIAL to enable GHIAL to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial
Information for the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)

Consolidation procedure:

- a. Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information at the acquisition date.
- b. Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- c. Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and Property, plant and equipment, are eliminated in full). Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Group Information:

Information about subsidiaries

Name	Principal activities	Place and Country of operation	% equity interest	
			September 30, 2018	March 31, 2018
Hyderabad Menzies Air Cargo Private Limited (HMACPL)	Cargo handling operations at airport	Hyderabad, India	51%	51%
Hyderabad Airport Security Services Limited (HASSL)*	Operation of airport allied services	Hyderabad, India	100%	100%
GMR Hyderabad Aerotropolis Limited (GHAL)	Development of commercial property	Hyderabad, India	100%	100%
GMR Hyderabad Aviation SEZ Limited (GHASL)	Development of SEZ	Hyderabad, India	100%	100%
GMR Hyderabad Airport Power Distribution Limited (GHAPDL)	Development of power distribution facility	Hyderabad, India	100%	100%
GMR Hospitality and Retail Limited (GHRL)	Operation of business hotel & duty free	Hyderabad, India	100%	100%
GMR Aerospace Engineering Limited (GAEL)	Development of facilities for maintenance, repair and overhaul (MRO) of aircrafts	Hyderabad, India	100%	100%
GMR Aero Technic Limited (GATL)	Operation of MRO	Hyderabad, India	100%	100%
Asia Pacific Flight Training Academy Limited (APFTAL)	Flight Training	Hyderabad, India	100%	100%

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial
Information for the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)

Information about jointly controlled entities

Name	Principal activities	Country of Incorporation	% equity interest	
			September 30, 2018	March 31, 2018
Laqshya Hyderabad Airport Media Private Limited (LHAMPL)	Advertisement	Hyderabad, India	49%	49%

*On 27th September 2018, HASSL in its EGM got the approval to file liquidation petition with MCA, Accordingly, HASSL has appointed Liquidator for the voluntary liquidation on September 27th, 2018 and is under the Voluntary Liquidation Process as required under Insolvency and Bankruptcy Code 2016 read with the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations 2017. As on date "HASSL" has the positive net worth hence does not have any adverse effect to the above financial results of GHIAL.

2.3 Statement of significant accounting policies

a. Use of estimates:

The preparation of Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in Note: 7. The Group based its assumptions and estimates on parameters available when the Consolidated Ind AS Financial Information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

b. Business combinations and goodwill:

In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment. The same first time adoption exemption is also used for joint ventures.

Business combinations other than common control business combinations are accounted for using the acquisition method. The cost of an acquisition other than in a common control business combination is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. Business combination involving entities under common control are accounted for using the pooling of interests method.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities

GMR Hyderabad International Airport Limited
Notes to the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial
Information for the six months period ended September 30, 2018
(All amounts in Rupees Crores, except otherwise stated)

representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- i. Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- ii. Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.
- iii. Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- iv. Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

c. Investment in jointly controlled entities:

A jointly controlled entity is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the jointly controlled entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in its jointly controlled entity are accounted for using the equity method. Under the equity method, the investment in a jointly controlled entity is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the jointly controlled entity since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of the jointly controlled entity. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the jointly controlled entity, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the jointly controlled entity is eliminated to the extent of the interest in the jointly controlled entity.

If an entity's share of losses of a joint venture equals or exceeds its interest in the jointly controlled entity (which includes any long term interest that, in substance, form part of the Group's net investment in the jointly controlled entity), the entity discontinues recognising its share of further losses. If the jointly controlled entity subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognized.

The aggregate of the Group's share of profit or loss of a jointly controlled entity is shown on the face of the statement of profit and loss.

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The financial Information of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its jointly controlled entity. At each reporting date, the Group determines whether there is objective evidence that the investment in the jointly controlled entity is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value, and then recognises the loss as 'Share of profit of a jointly controlled entity' in the statement of profit or loss.

d. Current versus Non-current classification:

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when:

- i) It is expected to be realised or intended to be sold or consumed in normal operating cycle
- ii) It is held primarily for the purpose of trading
- iii) It is expected to be realised within twelve months after the reporting period, or
- iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- i) It is expected to be settled in normal operating cycle,
- ii) It is held primarily for the purpose of trading,
- iii) It is due to be settled within twelve months after the reporting period, or
- iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle.

e. Property, plant and equipment:

Freehold land is carried at historical cost less impairment loss, if any. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Capital work in progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date. Property, plant and equipment under installation or under construction as at balance sheet are shown as capital work-in-progress, and the related advances are shown as loans and advances.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. Further, when each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

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On Transition to Ind AS, GHIAL has availed the optional exemption on “Long term Foreign currency Monetary items” and has accordingly continued with the policy to adjust the exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset recognized in the financial information for the year ended 31 March 2016 (as per previous GAAP), to the cost of the property, plant and equipment and depreciates the same over the remaining life. In accordance with the Ministry of Corporate Affairs (‘MCA’) circular dated August 09, 2012, exchange differences adjusted to the cost of property, plant and equipment are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the year. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange differences.

The Group identifies and determines cost of each component / part of the asset separately, if the component / part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

All spare parts, stand-by and servicing equipment qualify as plant, property and equipment (PPE) if they meet the definition of PPE i.e. if the Group intends to use these during more than a period of 12 months. The spare parts capitalized in this manner are depreciated as per useful life period, not exceeding a period of five years based on management estimate supported by technical evaluation.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

f. Depreciation:

Depreciation on the Property plant and equipment is calculated on a straight-line basis using the rates arrived at, based on useful lives estimated by the management, which coincides with the lives prescribed under Schedule II of the Companies Act, 2013 and certain items of building, plant and equipment, the Group, based on technical assessment made by technical expert and management estimate, believes that the useful lives of such assets are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The Group has used the following useful lives to provide depreciation on its Property, plant and equipment:

Particulars	Useful lives estimated by the management (years)
Improvements to leasehold land	15-30
Buildings on lease hold land*	10-30
Other Buildings	30-60
Runways and taxiways	30
Roads- Other than RCC**	10
Electrical installations**	10-15
Plant and machinery	15
Office Equipment	5
Computer equipment and IT systems	3-6
Furniture and fixtures (Trolleys)	3

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Furniture and fixtures (other than Trolleys)	7-10
Vehicles	8-10

Depreciation on adjustments to the historical cost of the assets on account of foreign exchange fluctuations is provided prospectively over the residual useful life of the asset.

* The useful lives of modifications to buildings on leasehold land are estimated as 10 years.

**The useful lives of internal roads – other than RCC and certain electrical installations (transformers) are estimated as 10 years and 15 years respectively. These lives are longer than those indicated in schedule II.

Leasehold Improvements and buildings on leasehold land are amortized over shorter of estimated useful lives or lease period.

On June 12, 2014, the Airport Economic Regulatory Authority (“the Authority”) has issued a consultation paper viz.05/2014-15 in the matter of Normative Approach to Building Blocks in Economic Regulation of Major Airports wherein it, interalia, mentioned that the Authority proposes to lay down, to the extent required, the depreciation rates for airport assets, taking into account the provisions of the useful life of assets given in Schedule II of the Companies Act, 2013, for such assets that have not been clearly mentioned in the Schedule II of the Companies Act, 2013 or may have a useful life justifiably different than that indicated in the Companies Act, 2013 in the specific context to the airport sector. The Authority has initiated the process to enable it to issue a notification as appropriate, pursuant to the provisions of Part B of Schedule II of the Companies Act, 2013 for this purpose. Pursuant to above, the Authority has issued order no. 35/2017-18 on January 12, 2018 which is further amended on April 09, 2018, in the matter of Determination of Useful life of Airport Assets, which is effective from April 01, 2018.

Accordingly, the management is of the view that useful lives considered by the Company for most of the assets except Furniture and Fixtures, Trolleys and cost of resurfacing the Runway are in line with the useful life proposed by AERA in its order dated January 12, 2018, which is further amended on April 09, 2018.

In order to align the useful life Furniture and Fixtures, Trolleys and cost of resurfacing the Runway as per AERA order, the Company has revised the useful life and charged the depreciation of Rs. 3.81 crore related to the assets whose life were expired on March 31, 2018 to opening reserves as at April 1, 2018 and depreciation of Rs. 2.75crore to these financials information.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

g. Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Goodwill arising on consolidation is not amortized but tested for impairment.

Service concession arrangements:

HMACPL constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include Infrastructure used in a public-to-private service concession arrangement for its entire useful life.

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Under Appendix A to Ind AS 11 – Service Concession Arrangements, these arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that HMA CPL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when HMA CPL has an unconditional contractual right to receive cash or other financial assets from or at the direction of the grantor for the construction service. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If HMA CPL performs more than one service (i.e. construction, upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the service delivered, when the amount are separately identifiable.

The concession arrangement is a service concession arrangement under appendix A to Ind AS 11. Through the concession agreement, GHIAL has granted further concession to HMA CPL along with sub-leasing of the part of cargo infrastructure facility to HMA CPL and since it has a right to charge the users for the services and therefore, the same has been classified under Intangible assets model.

The intangible asset is amortized over the shorter of the estimated period of future economic benefits which the intangible assets are expected to generate or the concession period, from the date they are available for use.

An asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or disposal.

h. Amortization of intangible assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each year. Cost relating to software licenses, which are acquired, are capitalized and amortized on a straight – line basis over their useful life not exceeding six years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Amortization of intangible assets under service concession arrangements:

The intangible asset created as per service concession arrangement are amortized over the shorter of the estimated period of future economic benefits which the intangible assets are expected to generate or the concession period, from the date they are available for use.

i. Impairment of non-financial assets:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units' (CGUs) fair value less cost to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from

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other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses are recognized in the statement of profit and loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

j. Inventories

Stores and spares and traded goods are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all applicable costs incurred in bringing goods to their present location and condition. However, stores and spares items held for use in providing the service are not written down below cost if the services are expected to be provided at or above cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

k. Borrowing cost:

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l. Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 1, 2015, the Group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

(a) Group as a lessee :

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the group is classified as a finance lease.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

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- i) another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- ii) the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(b) Group as a lessor :

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

m. Provisions, Contingent Liabilities and commitments

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Contingent liability is disclosed in the case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will not be required to settle the obligation
- A present obligation arising from past events, when it cannot be measured reliably.
- A possible obligation arising from past events, unless the probability of outflow of resources is remote

The Group does not recognize a contingent liability but discloses its existence in the financial information.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each balance sheet date.

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n. Retirement and other employee benefits:

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Retirement benefit in the form of Superannuation Fund and Employee State Insurance are defined contribution schemes, and the Group recognizes contribution payable to these schemes as an expense, when an employee renders the related service. The Group has no obligation, other than the contribution payable to the funds.

The Group operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined based on actuarial valuation using projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- i) The date of the plan amendment or curtailment, and
- ii) The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- i) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- ii) Net interest expense or income.

Short term employee benefits

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

However, the Group presents the entire provision towards accumulated leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

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o. Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A. Financial assets

i. Initial recognition and measurement:

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

ii. Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortized cost:

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI:

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income

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(OCI). However, the Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL:

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

iii. Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the balance sheet) when:

- a. The rights to receive cash flows from the asset have expired, or
- b. The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

iv. Impairment of financial assets:

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a. Financial assets that are debt instruments, and are measured at amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b. Financial assets that are debt instruments and are measured as at FVTOCI
- c. Lease receivables under Ind AS 17
- d. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
- e. Loan commitments which are not measured as at FVTPL
- f. Financial guarantee contracts which are not measured as at FVTPL

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The Group follows 'simplified approach' for recognition of impairment loss allowance on;

- a. Trade receivables or contract revenue receivables; and
- b. All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, the Group is required to consider:

- a. All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- b. Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Group evaluates individual balances to determine impairment loss allowance on its trade receivables. The evaluation is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortized cost and contractual revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.

For assessing credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

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v. Equity Investments:

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

B. Financial liabilities

i. Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including cash credit, financial guarantee contracts and derivative financial instruments.

ii. Subsequent measurement:

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such

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liability are recognized in the statement of profit or loss. The Group has not designated any financial liability as at fair value through profit and loss.

iii. Loans and borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit and loss.

iv. Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

v. Derecognition:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

C. Reclassification of financial assets:

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest."

D. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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E. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment;
- Hedges of a net investment in a foreign operation. Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion relating to foreign currency portion is recognised immediately in the statement of profit and loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in recognised liability and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs

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Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast transaction occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

p. Cash and cash equivalents:

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

q. Cash dividend to equity holders of the parent

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

r. Foreign currency Transactions

The Group's Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information are presented in INR, which is also the functional currency of GHIAL. For each entity the Group determines the functional currency and items included in the financial information of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following:

GHIAL treats foreign currency monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 09, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period. In other words, the Group does not differentiate

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between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference. Exchange difference arising on long term foreign currency monetary items related to acquisition of a Property, plant and equipment are capitalized and depreciated over the remaining useful life of the asset.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

s. Fair Value Measurement

The group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i. In the principal market for the asset or liability, or
- ii. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after

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discussions with the group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management, in conjunction with the group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- a) Disclosures for valuation methods, significant estimates and assumptions (note 7)
- b) Quantitative disclosures of fair value measurement hierarchy (note 9)
- c) Financial instruments (including those carried at amortized cost) (note 8)

t. Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

1) Income from service:

- i. Revenue from Airport Operations i.e. Aeronautical and Non-Aeronautical Operations are recognized on an accrual basis, net of service tax and applicable discounts, when services are rendered and it is possible that an economic benefit will be received which can be quantified reliably. Revenue from Aeronautical operations includes landing and parking charges of aircraft, operation and maintenance of passenger boarding and other allied services. Revenue from Non-aeronautical operations include granting rights to use land and space primarily for catering to the needs of passengers, air traffic services and air transport services.

Further, Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in non-aeronautical revenue in the statement of profit or loss due to its operating nature.

- ii. In case of cargo handling revenue, revenue from outbound cargo is recognized at the time of acceptance of cargo with respect to non-airline customers and at the time of departure of aircraft with respect to airline customers and revenue from inbound cargo is recognized at the time of arrival of aircraft in case of airline customers and at the point of delivery of cargo in case of non-airline customers.
- iii. Income from the concession arrangements earned under the intangible asset model consists of :

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- (a) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and
 - (b) payments actually received from the users.
- iv. Revenue from commercial property development rights granted to concessionaires is recognized on accrual basis, as per the terms of the agreement entered into with the customers.
 - v. Revenue earned in excess of billings has been included under 'other assets' as unbilled revenue and billings in excess of revenue has been disclosed under 'other liabilities' as unearned revenue.
 - vi. Revenue from hotel operations comprises of income by way of hotel room rent, sale of food, beverages and allied services relating to the hotel and is recognized net of taxes and discounts as and when the services are provided and products are sold.
 - vii. Income from management / technical services is recognized as per the terms of the agreement on the basis of services rendered.

2) Sale of Goods:

- i. Revenue from sale of goods is recognized at the time of delivery of goods to customers which coincides with transfer of risks and rewards to its customers. Sales are stated net of returns and discounts.

3) Revenues and cost of improvements to concession assets:

In conformity with appendix A of Ind AS 11, HMA CPL recognizes revenues and the associated costs of improvements to concession assets which it is obligated to perform at the airports as established by the concession agreement. Revenues represent the value of the exchange between HMA CPL and the government with respect to the improvements, given that HMA CPL constructs or provides improvements to the airports as obligated under the concession agreement and in exchange, the government grants HMA CPL the right to obtain benefits for services provided using those assets. HMA CPL has determined that its obligations per the concession agreement should be considered to be a revenue earning activity as all expenditures incurred to fulfill the concession agreement are included in the maximum tariff it charges its customers and therefore it recognizes the revenue and expense in profit and loss when the expenditures are performed.

The cost for such additions and improvements to concession assets is based on actual costs incurred by HMA CPL in the execution of the additions or improvements, considering the requirements in the concession agreement. The amount of revenues for these services is equal to the amount of costs incurred, as HMA CPL do not obtain any profit margin for these construction services. The amounts paid are set at market value.

4) Interest income:

- i. Interest on all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does

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not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

- ii. Interest for delayed payments from customers is accounted only when it is unconditionally accepted by the customers.

5) Dividend Income

Revenue is recognized when the group's right to receive the payment is established, which is generally when shareholders approve the dividend.

u. Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Such grants related to income are deducted in reporting the related expense. When the grant is in the nature of capital subsidy it is treated as capital reserve.

GHIAL has deferred payment arrangement on the concession fee payable to Ministry of Civil Aviation (MoCA) without interest. The effect of this assistance is treated as a government grant. The assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the assistance and the fair value. The grant is subsequently measured as per the accounting policy applicable to financial liabilities.

v. Taxes :

1) Current income tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current and deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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- ii. In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- i. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

GHIAL and HMA CPL are entitled to claim tax holiday for any 10 consecutive years out of 15 years, from the year of commencement of commercial operations in 2007-08, under Section 80-IA of the Income Tax Act, 1961, with regard to income from airport operations. Accordingly, deferred tax on items reversing within the tax holiday period is not considered.

GHASL and GAEL are entitled to claim tax holiday for any 10 consecutive years out of 15 years, from the year of commencement of commercial operations in 2010-11, under Section 80IAB of the Income Tax Act, 1961, with regard to income from airport operations. Accordingly, deferred tax on items reversing within the tax holiday period is not considered.

GATL is entitled to claim tax holiday for any 10 consecutive years out of 15 years, from the year of commencement of commercial operations in 2011-12, under Section 10AA of the Income Tax Act, 1961, with regard to income from airport operations. Accordingly, deferred tax on items reversing within the tax holiday period is not considered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The Group recognizes deferred tax asset for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as a deferred tax asset. The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is probable that it will pay normal tax during the specified period.

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Expenses and assets are recognized net of the amount of sales/ value added taxes paid, except:

- i. When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii. When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

w. Segment Reporting Policies

Identification of Segments:

Based on the “management approach” as defined in Ind AS 108 – Operating Segments, the Chief Operating Decision Maker (‘CODM’) has carried out evaluation of the Group’s performance at an overall group level as one reportable operating segment i.e. ‘Airport and allied services’.

Segment accounting policies:

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the Consolidated Ind AS Financial Statements of the Group as a whole.

x. Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

y. Corporate Social Responsibility (CSR) expenditure:

The Group has charged its CSR expenditure during the three months period to the statement of profit and loss.

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3. Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing the profit for the six months period attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the six months period.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the six months period plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

Particulars	For the six months period ended September 30, 2018	For the six months period ended September 30, 2017
Profit attributable to equity holders for basic and diluted earnings	382.28	233.10
Weighted average number of equity shares used for computing earnings per share (Basic and diluted)	37.80	37.80
Earnings per share (Basic and diluted) (Rs.)	10.11	6.17
Face value per share (Rs.)	10.00	10.00

4. Details of transactions with Related Parties:

Names of related parties and description of relationship:

Relationship	Related party Name
Holding company	GMR Airports Limited (GAL)
GAL's holding company	GMR Infrastructure Limited (GIL)
Ultimate holding company	GMR Enterprises Private Limited (GEPL)
Fellow Subsidiary Companies	GMR Aviation Private Limited
	GMR Aero structure Services Limited
	GMR Energy Limited
	GMR Tambaram-Tindivanam Expressways Private Limited
	GMR Tuni-Anakapalli Expressways Private Limited
	Delhi International Airport Limited
	GMR Pochanpalli Expressways Limited
	GMR Corporate Center Limited
	GMR Infrastructure (Mauritius) Limited
	GMR Energy Trading Limited
	GMR SEZ and Port Holding Limited
	GMR Highways Limited
	GMR Corporate Affairs Private Limited
	GMR Hyderabad Vijayawada Expressways Private Limited
	GMR Vemagiri Power Generation Limited
	GMR Warora Energy Limited
	GMR Kamalanga Energy Limited
	GMR Airport Developers Limited
	GMR Power Corporation Limited
	GMR Male International Airport Private Limited
	GADL International Limited
	Kakinada SEZ Limited
	GMR Krishnagiri SEZ Limited
	Raxa Security Services Limited
	GMR Sports Private Limited
	Geokno India Private Limited
	GMR Infrastructure (Singapore) Pte Limited

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Relationship	Related party Name
	GMR Business Process Services Private limited
Shareholders having significant influence	Government of Telangana Airports Authority of India MAHB (Mauritius) Private Limited
Key management personnel	Mr. Srinivas Bommidala – Managing Director till May 31, 2018 Mr. GBS Raju – Managing Director w.e.f June 1, 2018 Mr. G M Rao –Chairman (Executive Chairman w.e.f June 1, 2018) Mr. SGK Kishore - Chief Executive Officer Mr. Rajesh Arora- Chief Financial Officer Mr. Anup Kumar Samal - Company Secretary Mr. HJ Dora – Director Mr. C Prasanna – Director Mr. Grandhi Kiran Kumar-Director Mr. VR Hegde – Director Mr. IN Murthy – Director Mr. K. Ramakrishna Rao IAS – Director Mr. Jayesh Ranjan IAS – Director Mr. Datuk Badlisham Bin Ghazali - Director(vacated w.e.f June 23,2018) Mr.Raja Azmi Bin Raja Nazuddin-Director (w.e.f September 10, 2018) Mr. RSSLN Bhaskarudu- Independent Director Mr. NC Sarabeswaran- Independent Director Mrs. Vissa SivaKameswari -Independent Director Mr. Madhu Ramachandra Rao- Independent Director (w.e.f July 2, 2018) Mr. P. Vijay Bhaskar- Independent Director (Vacated w.e.f. May 4, 2018)
Joint Venture	Laqshya Hyderabad Airport Media Private Limited Asia Pacific Flight Training Academy Limited (till October 9, 2017)
Private company having common director (Section 8 Company)	GMR Varalakshmi Foundation
Other entities in which Directors are interested	GMR Family Fund Trust Sri VaraLakshmi Jute Twine Mills Private Limited

Remuneration paid to Key Managerial Remuneration:

Details of Key Managerial Personnel	For the six months period ended September 30, 2018		For the six months period ended September 30, 2017	
	Short Term Employee benefits	Sitting Fees	Short Term Employee benefits	Sitting Fees
Remuneration to KMP	3.61	-	1.64	-
Mr. G M Rao – Director	-	0.00	-	-
Mr. HJ Dora – Director	-	0.00	-	0.00
Mr. VR Hegde – Director	-	0.00	-	0.00
Mr. IN Murthy – Director	-	0.01	-	0.01
Mr. Jayesh Ranjan IAS– Director	-	0.00	-	0.00
Mr. K. Ramakrishna Rao IAS – Director	-	0.01	-	0.01
Mr. Arvind Kumar IAS – Director	-	-	-	-
Mr. RSSLN Bhaskarudu- Independent Director	-	0.03	-	0.02

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Details of Key Managerial Personnel	For the six months period ended September 30, 2018		For the six months period ended September 30, 2017	
	Short Term Employee benefits	Sitting Fees	Short Term Employee benefits	Sitting Fees
Mr. NC Sarabeswaran- Independent Director	-	0.02	-	0.02
Mr. P. Vijay Bhaskar- Independent Director	-	0.00	-	0.01
Mrs. Vissa Siva Kameswari -Independent Director	-	0.02	-	0.02
Mr. Madhu Ramachandra Rao- Independent Director	-	0.01	-	-

Summary of Transactions with related parties during the period is as follows:

Related Party Transactions	September 30, 2018	September 30, 2017
<i>Services received:</i>		
GMR Infrastructure Limited	3.29	7.38
GMR Airports Limited	14.55	6.99
Raxa Security Services Limited	8.18	7.91
GMR Aviation Private Limited	2.06	1.34
GMR Airport Developers Limited	12.11	11.23
GMR Corporate Affairs Private Limited	0.14	0.33
GMR Family Fund Trust	0.16	0.15
Delhi International Airport Limited	0.28	-
Asia Pacific Flight Training Academy Limited	-	0.00
Laqshya Hyderabad Airport Media Private Limited	0.03	0.03
Government of Telangana	1.80	1.72
Airports Authority of India	0.01	0.04
GMR Sports Private Limited	-	0.58
Sri VaraLakshmi Jute Twine Mills Private Limited	0.11	0.06
GMR Varalakshmi Foundation	-	0.42
<i>Income from operations:</i>		
GMR Infrastructure Limited	0.01	0.01
GMR Airports Limited	0.16	0.21
GMR Aviation Private Limited	0.00	0.01
Kakinada SEZ Limited	0.18	0.19
GMR Airport Developers Limited	0.09	0.12
Geokno India Private Limited	0.13	0.19
Raxa Security Services Limited	0.00	0.00
GMR Highways Limited	0.13	0.14
GMR Energy Trading Limited	0.00	0.01
Laqshya Hyderabad Airport Media Private Limited	15.35	19.72
Asia Pacific Flight Training Academy Limited	-	0.52
GMR Business Process Services Private Limited	1.56	0.00
GMR Corporate Affairs Private Limited (GCAPL)	-	0.00
Delhi International Airport Limited	0.03	0.00

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Related Party Transactions	September 30, 2018	September 30, 2017
GMR Tuni-Anakapalli Expressways Ltd	0.00	-
GMR Krishnagiri SEZ Limited	0.00	-
Airports Authority of India	1.62	1.48
GMR Varalakshmi Foundation	0.19	0.18
Advances given:		
GMR Infrastructure Limited	2.54	-
<i>Unsecured loan received back:</i>		
Laqshya Hyderabad Airport Media Private Limited	1.82	1.65
<i>Interest on amortisation of interest free unsecured loan given:</i>		
Laqshya Hyderabad Airport Media Private Limited	0.16	0.42
<i>Interest on Delayed payments from customers</i>		
Laqshya Hyderabad Airport Media Private Limited	0.00	0.04
<i>CSR Expenditure</i>		
GMR Varalakshmi Foundation	2.50	0.44
<i>Reimbursement of expenses claimed by the Company from its related parties:</i>		
GMR Infrastructure Limited	0.00	0.00
GMR Airports Limited	1.24	0.05
Kakinada SEZ Limited	0.04	0.04
GMR Airport Developers Limited	0.45	0.31
GMR Highways Limited	0.01	0.02
Geokno India Private Limited	0.05	0.06
Raxa Security Services Limited	0.08	0.00
GMR Energy Trading Limited	0.00	0.00
Delhi International Airport Limited	0.18	0.04
Asia Pacific Flight Training Academy Limited	-	0.10
GMR Business Process Services Private limited	0.22	-
Laqshya Hyderabad Airport Media Private Limited	0.46	0.51
Airports Authority of India	1.47	1.71
GMR Varalakshmi Foundation	0.04	0.03
<i>Reimbursement of expenses given by the Company from its related parties:</i>		
GMR Infrastructure Limited	-	0.00
Kakinada SEZ Private Limited	0.01	0.02
Delhi International Airport Limited	0.18	0.04
GMR Airports Limited	0.01	0.01
GMR Airport Developers Limited	0.29	0.27
Laqshya Hyderabad Airport Media Private Limited	0.03	0.09
<i>Income on amortisation of deposit received:</i>		
Laqshya Hyderabad Airport Media Private Limited	0.02	0.03
GMR Infrastructure Limited	0.00	0.00
GMR Varalakshmi Foundation	0.01	0.01
Asia Pacific Flight Training Academy Limited	-	0.01
<i>Purchase of Asset:</i>		
GMR Airport Developers Limited	9.04	4.70

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Related Party Transactions	September 30, 2018	September 30, 2017
<i>Interest expense on amortisation of deposit received:</i>		
Asia Pacific Flight Training Academy Limited	-	0.01
Laqshya Hyderabad Airport Media Private Limited	0.02	0.03
GMR Infrastructure Limited	0.00	0.00
GMR Varalakshmi Foundation	0.01	0.01

Outstanding balances at the end of the period / year:

Particulars	30-September-18		31-Mar-18	
	Non-Current	Current	Non-Current	Current
<i>Balance Recoverable / (Payable):</i>				
GMR Enterprises Private Limited	-	0.00	-	0.01
GMR Infrastructure Limited	-	2.12	-	(1.76)
GMR Airports Limited	-	(5.56)	-	(7.69)
Raxa Security Services Limited	-	(2.43)	-	(2.38)
Delhi International Airport Limited	-	0.19	-	(0.02)
GMR holding private limited	-	-	-	0.01
GMR Rajahmundry Energy Limited	-	0.04	-	0.04
GMR Hyderabad Vijayawada Expressways Private Limited	-	0.01	-	0.01
GMR Aviation Private Limited	-	(0.84)	-	(0.69)
GMR Airport Developers Limited	-	(6.88)	-	(9.46)
Kakinada SEZ Private Limited	-	0.51	-	0.40
GMR Energy Trading Limited	-	0.02	-	0.02
GMR Corporate Affairs Private Limited	-	(0.24)	-	(0.10)
GMR Highways Limited	-	0.15	-	(0.00)
Geokno India Private Limited	-	1.21	-	1.02
GMR Krishnagiri SEZ Ltd	-	0.00	-	-
GMR Warora Energy Limited	-	-	-	0.00
GMR Tuni Anakapalli Expressways Private Limited	-	0.00	-	0.00
Sri Varalakshmi Jute Twine Mills	-	0.00	-	-
GMR Aerostructure Services Limited	-	0.03	-	0.03
GMR Vemagiri Power Generation Ltd.	-	0.00	-	0.00
GMR Kamalanga Energy Limited	-	(0.00)	-	0.01
GMR Business Process Services Private Limited	-	2.15	-	0.49
Laqshya Hyderabad Airport Media Private Limited	-	0.74	-	9.57
Government of Telangana	-	(1.89)	-	(3.52)
Airports Authority of India	-	4.00	-	5.90
GMR Family Fund Trust	-	0.00	-	-
GMR Varalakshmi Foundation	-	(0.22)	-	(0.88)

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Particulars	30-September-18		31-Mar-18	
	Non-Current	Current	Non-Current	Current
<i>Security deposit received from / (paid) to related parties recognised at amortised cost:</i>				
GMR Infrastructure Limited	-	0.03	-	0.04
Raxa Security Services Limited	(1.75)	-	(1.75)	-
Laqshya Hyderabad Airport Media Private Limited	0.01	0.33	0.27	0.05
GMR Varalakshmi Foundation	0.14	-	0.15	-
GADL International Limited	-	-	-	0.07
Sri Varalakshmi Jute Twine Mills	(0.10)	-	-	(0.10)
Delhi International Airport Limited	-	0.22	-	0.21
GMR Family Fund trust	(0.39)	-	(0.39)	
<i>Deferred income on deposits received recognized at amortised cost</i>				
Laqshya Hyderabad Airport Media Private Limited	-	-	0.01	0.03
GMR Varalakshmi Foundation	-	-	-	0.01
<i>Investment in joint venture company:</i>				
Laqshya Hyderabad Airport Media Private Limited	9.80	-	9.80	-
<i>Investment in Joint venture on account of amortisation of Loans given and Fair valuation of Financial guarantees:</i>				
Laqshya Hyderabad Airport Media Private Limited	5.59	-	5.59	-
<i>Loans given :</i>				
Laqshya Hyderabad Airport Media Private Limited	-	0.99	-	2.87

5. Operating segments are reported in such a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). As per the evaluation carried out by CODM the Group has only one reportable business segment, i.e. operation of airport and providing allied services. Accordingly, the amounts appearing in the Special Purpose Unaudited Consolidated Interim Condensed Financial Information relate to the Group's single business segment.

6. Commitments and Contingencies

I. Leases

Operating lease commitments: Group as lessee

As per the terms of the Concession Agreement and Land Lease Agreement, the Government of Telangana leased the land to GHIAL for the concession period. The lease term neither constitutes a major part of the economic life nor the fair value of the land. Hence all significant risk and rewards of the ownership have not been transferred and accordingly lease is classified as an operating lease.

GHIAL has taken land and office spaces on operating lease having a term of 30 years and 5 years respectively. The land lease has an escalation of 5% per annum from the 8th anniversary of the Commercial Operations Date (i.e. March 23, 2008) and it has a renewal option for another thirty years which is co-

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terminus with the concession period. The office spaces leases have an escalation of 5% per annum and are renewable at the end of the lease period with mutual consent.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	September 30, 2018	March 31, 2018
Within one year	4.17	4.24
After one year but not more than five years	22.50	22.22
More than five years	724.82	726.79

Operating lease commitments: Group as lessor

Group has sub-leased land to various parties under operating leases having a term of 9 to 30 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiable.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	September 30, 2018	March 31, 2018
Within one year	41.66	49.21
After one year but not more than five years	83.51	105.79
More than five years	299.43	374.32

II. Litigation and Contingent Liabilities

1. Litigations provided for

- i. Matters related to various service tax notices / orders referred in paragraph (D) below on contingent liabilities of GMR Hyderabad International Airport Limited for which an amount of Rs.0.81 crore (March 31, 2018: Rs.0.81 crore) have been provided for in the books of account.
- ii. Matter related to service tax notice / order referred in note (C) below on contingent liabilities of GMR Hyderabad Aerotropolis Limited for which an amount of Rs. 0.85 crore (March 31, 2018: Rs. 0.85 crores) have been provided for in the books of account.
- iii. As per the amended and restated joint venture agreement dated November 16, 2010 executed between GMR Hyderabad International Airport Ltd, Menzies Aviation Plc, Menzies Aviation Cargo (Hyderabad) limited, Menzies Aviation (India) Private Limited and Hyderabad Menzies Air Cargo Private Limited, the Company shall pay preference dividend at a coupon rate of 11.97% on the paid up value of compulsorily convertible cumulative preference shares (Series A & B).

2. Contingent liability not provided for

A. Direct taxes:

- a) A search operation under section 132 of the Income Tax Act, 1961 was carried out at the premises of GHIAL by the Income Tax authorities on October 11, 2012 followed by another search closure visit on November 10, 2012, to check the compliance with the provisions of the Income Tax Act, 1961. Block Assessment in respect of A.Y 2007-2008 to 2012-2013 was completed and GHIAL received the assessment orders, which disallowed certain expenses and made few additions to the income resulting in reduction of carried forward loss amounting to Rs. 109.44 crore and no additional tax liability was assessed to be payable by GHIAL. GHIAL had filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru against the said block assessment orders. In the previous year, GHIAL received the orders from the Commissioner of Income Tax (Appeals), Bengaluru reducing the disallowances from Rs. 109.44 crore to Rs. 31.17 crore against which GHIAL has filed an appeal with Income Tax Appellate Tribunal, Bengaluru.

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- b) GHIAL received an assessment order for A.Y. 2013-14 disallowing expenses amounting to Rs.23.68 crore against which GHIAL filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru (CIT). In the previous year, GHIAL had received an order from CIT reducing the disallowance of expenditure from Rs. 23.68 crore to Rs. 3.76 crore against which GHIAL had filed an appeal with Income Tax Appellate Tribunal, Bengaluru.
- c) GHIAL received assessment orders for the A.Y. 2014-15 disallowing expenses aggregating to Rs. 23.79 crore respectively against which, GHIAL has filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru(CIT) and the disallowance of expenditure got reduced to Rs. 3.38 crore respectively against which GHIAL had filed an appeal with Income Tax Appellate Tribunal, Bengaluru.
- d) GHIAL received assessment orders for A.Y.2015-16 and 2016-17 disallowing expenses aggregating to Rs.19.82 crore and Rs. 22.78 crore respectively against which, GHIAL has filed an appeal with the Commissioner of Income Tax (Appeals), Bengaluru and the disallowance got reduced to NIL for both the years.
- e) HMA CPL had received assessment order during previous years for the assessment years 2009-2010, 2010-2011, 2011-2012 and 2012-13 respectively, denying the deduction u/s 80-1A of the Income Tax Act, 1961 and demanding tax of Rs. 1.54 crore (March 2018: Rs. 1.54 crore) (including interest of Rs 0.22 crore) (March 2018: Rs. 0.22 crore), Rs. 2.73 crore (March 2018: Rs. 2.73 crore) (including interest of Rs 0.69 crore (March 2018: Rs. 0.69crore) and Rs. 3.03 crore (March 2018: Rs 3.03 crore) (including interest of Rs. 0.74 crore (March 2018: Rs. 0.74 crore) and Rs. 2.54 crore (March 2018: Rs. 2.54 crore) (including interest of Rs 0.66 crore (March 2018: Rs. 0.66 crore) for the respective assessment years. HMA CPL had filed an appeal with Commissioner of Income Tax (Appeals), Hyderabad and had paid Rs. 1.54 crore (March 2018 Rs. 1.54 crore) Rs. 2.73 crore (March 2018: Rs. 2.73 crore), Rs.3.03 crore (March 2018: Rs.3.03 crore) and Rs. 2.54 crore (March 2017: Rs. 2.54 crore) for the assessment years 2009 – 2010, 2010-2011, 2011-2012 and 2012-13 respectively under protest. During the previous years, the said appeals were dismissed by the Commissioner of Income Tax (Appeals), Hyderabad against which HMA CPL had filed an appeal with the Income Tax Appellate Tribunal, Hyderabad. During the previous year, HMA CPL has received a favorable order from Income Tax Appellate Tribunal, Hyderabad allowing the deduction u/ s 80 IA of the income tax Act, 1961 for the Assessment years 2009 – 2010, 2010-2011, 2011-2012 and 2012-13. However, the department has preferred further appeal before high court.
- f) HMA CPL had received an order during previous years for the assessment year 2013-14 and 2014-15 respectively, denying the deduction u/s 80-1A of the Income Tax Act, 1961. Per this order the refund receivable to the Company has reduced by Rs. 4.18 crore for A.Y. 2013-14 and Rs. 3.11 crore for A.Y 2014-15. Aggrieved by the reduction in refund and the demand, the Company has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad. During the previous year, HMA CPL has received a favorable order from Commissioner of Income -Tax (Appeals), Hyderabad allowing the deduction u/s 80-1A of the Income tax Act, 1961 for the Assessment years 2013-14 and 2014-15. The Department appealed against the CIT order before ITAT during current year in respect of the aforesaid years.
- g) HMA CPL has received an order during current period for the assessment year 2015-16 denying the deduction u/s 80-1A of the Income Tax Act, 1961. Subsequently, the company filed for rectification of order u/s 154 of the Income-tax Act, 1961 and as per the rectified order there is a tax demand amounting to Rs. 4.17 crore for AY 2015-16. Aggrieved by the demand the Company has filed an appeal with the Commissioner of Income - Tax (Appeals), Hyderabad.
- h) HMA CPL has received an order from Deputy Commissioner of Income tax, Hyderabad for the reopening of the assessment year 2008-09 disallowing an item of expense amounting to Rs. 0.85 crore (March 2018: Rs. 0.85 crore). The Company has filed an appeal with Commissioner of Income – Tax (Appeals), Hyderabad on May 5, 2015 and based on an internal assessment, Management is of the opinion that the said order is time barred and will not be sustainable under law.

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- i) As per the amended and restated joint venture agreement dated November 16, 2010 executed between GMR Hyderabad International Airport Ltd, Menzies Aviation Plc, Menzies Aviation Cargo (Hyderabad) Limited, Menzies Aviation (India) Private Limited and Hyderabad Menzies Air Cargo Private Limited (HMACPL), GHIAL exercised its Buy Back Rights to buy the shares held by MACL in HMACPL, MACL disputed GHIAL position as regards exercising the buyback rights. In view of the above dispute, GHIAL invoked Arbitration and post conclusion of proceedings of Arbitral Tribunal issued the final award on January 29, 2018 dismissing the claims of GHIAL with costs stating that the fair market value was not determined as per the requirements of Joint Venture Agreement (JVA). However on October 30, 2018, GHIAL has entered into a share purchase agreement to buy out the balance 49% stake in HMACPL held by the, Menzies Aviation Cargo (Hyderabad) Limited at a value of Rs. 59.75 crore. Accordingly post transfer of shares in favour of the Company on November 2, 2018 HMACPL has become a wholly owned subsidiary of the Company.

B. Guarantees excluding financial guarantees

In case of GHIAL, Bank guarantees outstanding in respect of customs and others Rs. 9.22 crore (March 31, 2018: Rs. 8.91 crore).

Note: Performance guarantees given by the Company on its own behalf are not considered as contingent liability.

C. Matters under dispute are as follows:

- i. GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated January 29, 2010 on irregular availment of the Cenvat amounting to Rs. 24.54 crore (March 31, 2018: Rs. 24.54 crore). The order also includes penalty of Rs. 31.11 crore (March 31, 2018: Rs. 31.11 crore). GHIAL had received stay order from CESTAT modified by High Court of Andhra Pradesh against the above said order subject to pre-deposit of Rs. 12.20 crore and accordingly, GHIAL had deposited the same with the service tax department within the stipulated time.
- ii. GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated October 28, 2009, as per which GHIAL is liable to pay an amount of Rs. 7.43 crore (March 31, 2018: Rs. 7.43 crore) towards penalty on delay in payment of service tax on the UDF. GHIAL has got the stay order against the above said order in the earlier years.
- iii. GHIAL had received an order from the Office of Commissioner of Customs, Central Excise and Service Tax dated November 25, 2013 on non- payment of service tax on recovery of electricity and water charges from its concessionaires and irregular availment of Cenvat amounting to Rs. 1.53 crore (March 31, 2018: Rs. 1.53 crore), including penalty of Rs 1.67 crore (March 31, 2018: Rs. 1.67 crore). GHIAL had received a stay subject to pre-deposit of Rs. 0.15 crore and accordingly, GHIAL had deposited same with the service tax department within the stipulated time.
- iv. GHIAL had received an Order dated December 27, 2017 (Show cause notice dated June 17, 2013) from the Office of Assistant Commissioner of Central Tax on non- payment of service tax on import of services amounting to Rs. 0.25 crore (March 31, 2018: Rs. 0.25 crore). The Order also includes the interest payable thereon and penalty of Rs. 0.26 crore (March 31, 2018: Rs. 0.26 crore). During the six months period ended September 30, 2018, GHIAL has received an order from the Office of Commissioner (Appeals) confirming the demand of Rs. 0.26 crore. GHIAL is in the process of filing appeal with Customs, Excise and Service Tax Appellate Tribunal.
- v. GHIAL has received an order dated March 23, 2018 from the officer of commissioner of Central Tax on irregular availment of exemption on sale of space for advertisement, undervaluation of security services received from CISF, irregular availment of cenvat credit on capital goods & inputs and non-payment of service tax from the office of commissioner of Central Tax whereby the demand of service tax amounting to Rs. 2.39 crore (March 31, 2018: Rs. 2.39 crore). The order also includes a penalty of Rs. 1.80 crore (March 31,

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2018: Rs. 1.80 crore) and interest as applicable. During the six months period, GHIAL has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal and deposited an amount of Rs.0.18 crore with the service tax department as required to file the appeal.

- vi. GHIAL had received an order (Show Cause Notice dated April 23, 2014) from the Office of Commissioner of Customs, Central Excise and Service tax dated June 11, 2015 on Irregular availment of cenvat credit amounting to Rs. 0.62 crore (March 31, 2018: 0.62 crore). The order also includes penalty of Rs. 0.62 crore (March 18 : 0.62 crore) GHIAL has filed the appeal before the Customs, Excise and Service Tax Appellate Tribunal and deposited an amount of Rs. 0.05 crore with the service tax department as required to file the appeal.
- vii. GHAL as preferred an appeal with CESTAT against the order passed by Commissioner of Customs, Central Excise & Service Tax in the matter of the Cenvat Credit demanding amounting to Rs. 0.29 crore (for the period October 2008 to March 2011) including a penalty of Rs 1.14 crore (March 31, 2018 Rs 1.14 crore).
- viii. GHAL had received an order (show cause notice dated June 7, 2016) from Commissioner of Customs, Central Excise & Service Tax dated June 22, 2016 regarding short payment of service tax of Rs.1.47 crore (March 2018 : Rs. 1.47 crore) - under RCM on Architecture service. GHAL had preferred an appeal with Commissioner of Customs, Central Excise & Service Tax and reversed cenvat credit of Rs.0.11 crore towards pre-deposit.
- ix. GHASL had received Show Cause Notice dated July 17, 2015 from the Office of the Assistant Commissioner of Customs, Central Excise and Service Tax wherein service tax refund of Rs.0.01 crore (March 31,2018: Rs.0.01 crore) has been denied.
- x. During the previous year , the Hon`ble High Court of judicature at Hyderabad for the State of Telangana and the State of Andhra based on writ petition file by GHASL against the SCN on granting exemption of service tax under renting of immovable property services without obtaining Form A1 / A2 for the period from October 2011 to March 2016, has given direction to the department that they should hear the issue by affording a personal hearing and without getting influenced by the counter filed by them and pass a speaking order. The Court further directed that such order shall stand suspended by four weeks to enable us to take appropriate recourse in case we wish to challenge order. Accordingly, PH was granted by the Commissioner of Central Tax and Order-In-Original was passed on February 2, 2018 confirming the demand of Rs 11.97 crore including a penalty of Rs 4.37 crore.
- xi. GHRL has received a show cause notice from the assistant commissioner of service tax levying service tax on 100% value of Room retention charges amounting to Rs. 0.00 crore (March 31,2018: Rs. 0.00 crore) as against the current practice of discharging the service tax on 60% value.
- xii. HMA CPL accrued customs officers' salaries stationed at Air Cargo Terminal based on debit notes raised by the customs department on GHIAL as the ultimate cost has to be borne by the custodian i.e. HMA CPL. GHIAL filed a writ petition under article, 226 of the constitution of India in the Honorable High Court of Judicature of Andhra Pradesh at Hyderabad against the demand raised in previous years, GHIAL had received an order from the Honorable High court of Andhra Pradesh (Single Judge), stating that the grounds on which the levy was made by customs department were wholly unsustainable and accordingly

HMA CPL had reversed the accrued customs cost amounting to Rs. 14.02 crore (March 2018 : Rs.14.02 crore) for the period from March 23, 2008 to March 31, 2012 as provision no longer required written back and included the same in other income.

Subsequent to the above order, the customs department preferred an appeal against the same and on November 2, 2012, a bench of two judges of the Honorable High Court of Andhra Pradesh passed an order for interim suspension of the said order passed by the Honorable Single Judge. The Management, based on internal assessment/legal opinion, is confident that there is no financial impact of this interim suspension order and accordingly, no adjustment has been made in the consolidated financial information.

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- xiii. HMA CPL had rendered cargo handling services for export cargo during the period March 2008 to June 2010 on which HMA CPL had not paid service tax in view of the exemption available under cargo handling services. HMA CPL had received a show cause notice from the Office of Commissioner of Customs & Central Excise requiring HMA CPL to show cause as to why the services rendered during March 2008 to June 2010 should not be classified under "Airport Services" and "Storage and Warehousing Services" ("Taxable Service").

On May 3, 2013, HMA CPL had received an order from Commissioner of Customs, Central Excise and Service tax. As per the said order, the commissioner had concurred with the departments view and classified the services of cargo handling for export cargo as Taxable Service. As a result of which, there was a demand levied of Rs.1.89 crore (March 2018 : 1.89 crore) crore as service tax for the period March 2008 to June 2010 under Airport Services and Rs. 1.07 crore (March 2018 : 1.07 crore) as service tax for the period March 2008 to June 2010 on Storage and Warehousing Services along with applicable interest and penalty.

Subsequently, the Customs, Excise & Service Tax Appellate Tribunal (CESTAT) in its stay order dated October 25, 2013 has mentioned that X-ray Screening, Terminal Storage and Processing, Unitization and Demurrage would be incidental and ancillary in relation to cargo handling service. As a result, there shall be a waiver of pre deposit of the dues and stay against recovery during pendency of the appeal.

- xiv. HMA CPL has received a show cause notice from the Office of Commissioner (Audit) Central tax requiring the Company to show cause as to why CENVAT credit of Rs. 0.65 crore along with applicable interest and penalty should not be reversed/demanded on certain exempted services. The Company has filed a reply to the Show Cause notice with the Office of Commissioner (Audit) Central tax on October 10, 2017. Personal hearing completed on 27th March 2018, AC has passed a order dated 28.03.2018 by disallowing Company demand, order received on 9th April 2018. As a result of which, there was a demand levied of Rs. 0.65 crore as service tax along with penalty of Rs. 0.63 crore. Further, HMA CPL has filed an appeal against the order with Commissioner (Appeals), Central tax during the current period.
- xv. GHRL received notices of demand amounting to Rs. 0.34 crore (March 31, 2018: Rs. 0.34 crore) from commercial taxes department, levying Value Added Tax on leasing of Audio Visual equipment. GHRL has replied to the said department against the aforesaid demand notices.
- xvi. GHIAL had received a notice from the office of the Joint Commissioner of Labour for payment of Building and other construction workers' Welfare Cess @ 1% of the cost of construction of Airport Metropolitan amounting to Rs. 25.20 crore (March 31, 2018: Rs. 25.20 crore). GHIAL had received the stay order against the said order in the earlier years.
- xvii. GHIAL had received notice dated January 19, 2013, from Hyderabad Metropolitan Water Supply & Sewerage Board for disconnection of water connection for non-payment of sewerage cess arrears. GHIAL had received the stay order against the said order in the earlier years. The sewerage cess outstanding including interest as at September 30, 2018 amounts to Rs. 4.45 crore (March 31, 2018: Rs. 4.28 crore).
- xviii. APFTAL has received a show cause notice dated April 19, 2016, from the Office of Commissioner of Customs, Central Excise & Service Tax of Rs. 0.96 crore (March 31, 2018: Rs. 0.96 crore) for wrong availment of exemption from service tax on training courses offered and non-payment of service tax under reverse charge mechanism on aircrafts' lease rentals. The show cause notice also includes interest and penalty thereon. APFTAL has submitted its reply to the show cause notice on June 20, 2016. Hearing of which was held on November 18, 2016, for which order awaited.
- xix. APFTAL has received a show cause notice dated March 02, 2018, from the Office of Commercial Taxes Department of Rs. 0.88 crore/- for VAT on consumption of spares for repair of leased aircrafts and Hostel mess expenses. The SCN does not include the interest and penalty thereon. APFTAL has submitted the reply to show cause notice on March 27, 2018. Personal Hearing attended on June 12, 2018 and assessment order passed for dropping the demand of Rs. 0.67crore relating to VAT on consumption of Spares for repairs in Aircrafts and confirming the demand of Rs. 0.04 crore relating to Hostel Mess Expenses instead of Rs. 0.21 crore. Notice for levy of penalty of Rs. 0.04 crore issued. Appeal filed with Appellate Deputy Commissioner

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on August 24, 2018. Hearing attended on September 27, 2018. Order awaited.

xx. APFTAL has received a show cause notice dated March 12, 2018, from the Commissioner of State Department of Rs. 0.81 crore for wrong availment of exemption from GST on training courses offered. The show cause notice does not include interest and penalty thereon. APFTAL has submitted the reply to show cause notice on March 31, 2018. Hearing of which was held on June 12, 2018, for which order awaited.

xxi. Recovery from PSF (SC) Escrow account:

- a) In case of GHIAL, the Ministry of Civil Aviation (MoCA) had issued the order vide order no. AV 13024 /03/2011-AS (Pt. I), dated February 18, 2014 requiring the Airport Operators to reverse the expenditure incurred, since inception till date, towards procurement and maintenance of security systems/equipment and on creation of fixed assets out of PSF (SC) escrow account opened and maintained by the Airport Operator in a fiduciary capacity. GHIAL had incurred Rs. 94.30 crore (March 31, 2018: Rs. 94.48 crore towards capital expenditure (including the construction cost and cost of land mentioned in note b and excluding related maintenance expense and interest thereon) till September 30, 2018 out of PSF (SC) escrow account as per SOPs, guidelines and clarification issued by the MoCA from time to time on the subject of utilization of PSF (SC) funds.

As the above order is contrary to and inconsistent with SOPs, guidelines and clarification issued by the MoCA from time to time in this regard, GHIAL had challenged the said order before Hon'ble High court of Andhra Pradesh. The Honorable Court, vide its order dated March 3, 2014 followed by further clarifications dated April 28, 2014 and December 24, 2014, stayed the MoCA order with an undertaking that, in the event the decision of the writ petition goes against GHIAL, it shall reverse all the expenditure incurred from PSF (SC).

Accordingly, the GHIAL has continued to incur the procurement and maintenance cost of security systems / equipment from PSF (SC) escrow account and during the period ended June 30, 2018 incurred an amount of Rs. 0.77 crore (March 31, 2018 Rs. 3.50 crore) on maintenance of security systems / equipment from the PSF (SC) escrow account.

However, during the quarter ended September 30, 2018. GHIAL has reversed the aforesaid maintenance expenditure and stopped incurring the maintenance expenditure from PSF(SC) fund with effect from July 1, 2018. Accordingly, amount incurred on procurement and maintenance of security systems/equipment totaling to Rs.0.95 crore has been considered in the current financial information out of which Rs.0.77 crore pertaining to the quarter ended 30th June, 2018.

- b) As per the advice from the Ministry of Home Affairs and the SOP issued by the MoCA on March 06, 2002, GHIAL, through its wholly owned subsidiary, Hyderabad Airport Security Services Limited (HASSL) constructed the residential quarters for Central Industrial Security Force (CISF) deployed at the airport. After completion of such construction, the total construction cost including the cost of land amounting to Rs. 69.92 crore (March 31, 2018: Rs. 69.92 crore) was debited to the Passenger Service Fee (Security Component) Fund [PSF (SC) Fund] with intimation to the MoCA. The Comptroller & Auditor General, during their audits of PSF (SC) Fund, observed that, GHIAL had not obtained prior approval from the MoCA for incurring such cost from the PSF (SC) Fund as required by the guidelines dated January 8, 2010 and April 16, 2010 issued by the MoCA. However, Management of GHIAL is of the opinion that these guidelines were issued subsequent to the construction of the said residential quarters and approached the MoCA for approval of such debit notes to the PSF (SC) Fund account and also, made an application for an increase in PSF (SC) tariff to recover these dues and to meet the shortfall in discharging other liabilities from PSF (SC) fund. In the earlier years, the MoCA responded that, it is not in a position to consider the request for enhancement in the PSF (SC) tariff. As a result, GHIAL had requested the MoCA to advice the Airport Economic Regulatory Authority (AERA) for considering the cost of construction, land and other related costs with regard to the aforesaid residential quarters in determination of Aeronautical Tariff for the airport. Pending final instructions from the MoCA, residential quarters continue to be accounted under the PSF (SC) Fund and no adjustments have been

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made to these financial information.

- xxii. GATL, a penalty of Rs.0.05 crore has been imposed on the Company by the Development Commissioner, Vishakhapatnam Special Economic Zone for acceptance of payments in INR for services rendered. The Company, has filed an appeal to the Additional Secretary, Department of Commerce and Industry, Government of India against the penalty order received; and is expecting a favourable order for the same.
- xxiii. GATL has received letter from specified officer stating to pay customs duty on components used in Maintenance Repair and Overhaul (MRO) services for aircraft sent from Specific Economic Zone to Domestic Tariff Area. Management is confident that no liability in this regard would be payable, based on the clarification obtained by the Company from Ministry of Commerce and Industry, customs duty is not applicable on such transactions.
- xxiv. GAEL has filed an appeal with Customs, Excise and Service Tax Appellate Tribunal {CESTAT} against the order of Commissioner of Service Tax for the rejection of service tax refund claim amounting to Rs. 1.02 crore.
- xxv. Fuel surcharge adjustments (FSA) for the period from April 2008 to March 2010 amounting to Rs. 2.05 crore (March 31, 2018: Rs. 2.05 crore).

Based on the internal assessment and / or legal opinion, the Management of the Group is confident that, for the aforesaid mentioned contingent liabilities, no further provision is required to be made as at September 30, 2018.

III. Commitments

a) Capital commitments

Estimated amount of contracts of the Group remaining to be executed on capital account and not provided for (net of Advances) amounting to Rs.140.66 crore (March 31, 2018: Rs. 188.80 crore).

b) Other commitments

- i. As per the terms of concession agreement, the GMR Hyderabad International Airport Limited is required to pay concession fees to the Ministry of Civil Aviation (MoCA) @ 4% on all its gross revenue (as defined in Concession Agreement) of GHIAL for an initial term of 30 years starting from March 23, 2008 which can be extended by another 30 years at the option of the GHIAL which has been exercised and the same is calculated as per provisions of Ind AS.
- ii. For commitments pertaining to lease arrangement refer clause I of note 6.

7. Significant accounting judgments, estimates and assumptions:

The preparation of the Group's Special Purpose Unaudited Consolidated Interim Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the group's accounting policies, management has made the following judgments, which has the effect on the amounts recognised in the Special Purpose Unaudited Consolidated Interim Condensed Financial Information:

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Non applicability of Service Concession Agreement (SCA) to GHIAL

GHIAL had entered into Concession agreement with the MoCA, which gives GHIAL an exclusive right of development, design, financing, construction, commissioning, maintenance, operation and management of the Hyderabad Airport on a revenue sharing model for an initial term of 30 years, which can be extended by another 30 years at the option of GHIAL. Under the agreement, the MoCA has granted exclusive right and authority to perform some of the functions of the AAI being the functions of operation, maintenance, development, design, construction, upgradation, modernization, finance and management of the Airport and to perform services and activities at the airport constituting 'Airport activities' (regulated services) and 'Non-Airport Activities' (non-regulated services). Airport Activities are regulated while there is no control over determination of prices for Non-Airport activities. Charges for Non-Airport activities are determined at the sole discretion of GHIAL.

Appendix A to Ind AS 11 contains provisions to cover arrangements between public and private enterprises-referred to as service concession arrangement ("SCA"). An entity is required to evaluate applicability of SCA for its arrangement under public to private partnership based on SCA guidance. The applicability of service concession depends whether the grantors control or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and also control the residual interest in the infrastructure.

GHIAL management conducted detailed analysis to determine applicability of Appendix A of Ind AS 11. The concession arrangement has significant non-regulated revenues, which are apparently not ancillary in nature, as these are important from GHIAL, MoCA and users/passengers perspective. Further, the regulated and non-regulated services are substantially interdependent and cannot be offered in isolation. Airport premises is being used both for providing regulated services and for providing non-regulated services. Based on GHIAL's proportion of regulated and non-regulated activities, the directors have determined that over the concession period, the unregulated business activities drives the economics of the arrangement and contributes substantially to the profits of GHIAL and hence concluded that SCA does not apply in its entirety to GHIAL.

Applicability of Service Concession Agreement (SCA) to HMA CPL

HMA CPL, constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include infrastructure used in public-to-private service concession arrangement for its entire useful life.

Appendix A to Ind AS 11 on Service Concession Arrangement ("SCA") provides that these arrangements are accounted for based on the nature of the consideration. An entity is required to evaluate applicability of SCA for its arrangement under public to private partnership based on SCA guidance. The applicability of service concession depends whether the grantors control or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and also control the residual interest in the infrastructure. The intangible asset model is used to the extent that HMA CPL receives a right (i.e. a concessionaire) to charge users of the public service. The financial model is used when HMA CPL receives a right to receive cash or other financial assets from or at the direction of the grantor for the construction service.

Accordingly, though GHIAL has granted the further concession to HMA CPL along with leasing of the part of the cargo infrastructure facility but since HMA CPL has a right to charge the users of the services and therefore, the same has been classified under intangible asset model.

Leases:

As per the terms of the Concession Agreement and Land Lease Agreement, the Government of Telangana leased the land to the GHIAL for the concession period. The lease term neither constitutes a major part of the economic life nor the fair value of the land. Hence, all the significant risk and rewards of the ownership have not been transferred and accordingly the lease is classified as an operating lease.

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Concession fee:

As per the Concession Agreement (CA) entered into by GHIAL with Ministry of Civil Aviation (MoCA) in December, 2004, GHIAL is required to pay concession fee to MoCA @ 4% on its gross revenue. As per Article 3.3.2 of CA, "Gross Revenue" is defined to mean all pre-tax revenue of GHIAL with certain specified exclusions.

Management is of the view that certain income / credits arising on adoption of Ind-AS and also mark to market gain on valuation of IRS was not in contemplation of parties in December 2004 when this Concession Agreement was signed / entered. Further, these income/credits in Statement of Profit and Loss do not represent receipts from business operations, from any external sources and therefore, are not treated as "Gross Revenue" for calculation of Concession fee to MoCA. Accordingly, GHIAL has not provided the concession fee on such incomes/credits (Refer note 17).

Income on forex reinstatement of SSN of Nil (March 31, 2018 Rs. 43.72 crore) which has been capitalized has not been considered for computation of Concession fee to MoCA.

Also, income generated on investment of part proceeds of SSN earmarked for airport expansion project and adjusted from the value of capital work in progress does not represent receipts from business operation and the same is not considered for computation of Concession fee to MoCA.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Special Purpose Unaudited Consolidated Interim Condensed Financial Information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

Discounting rate

The Group has considered incremental borrowing rate of Airport sector i.e. 11.44% as at transition date for measuring deposits, being financial assets and financial liabilities, at amortised cost. However, for the transactions undertaken from April 1, 2018 incremental borrowing rate of Airport sector i.e. 9.65% has been considered.

Defined benefit plans

The cost of the defined benefit gratuity plan and other post-employment benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

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Contingent liabilities

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events. See clause II of Note 6 for further disclosures.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 8 and 9 for further disclosures.

Tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

GAEL neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, GAEL has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Impairment of Financial asset

The impairment provisions for financial assets are based on the assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

8. Fair values:

The carrying amount of all financial assets and liabilities appearing in the financial information is reasonable approximation of fair values.

Particulars	Carrying value		Fair value	
	30-September-18	31-Mar-18	30-September-18	31-Mar-18
Financial assets				
At Fair Value through profit or loss				
Investments	902.48	941.08	902.48	941.08
At Fair Value through Other Comprehensive Income				
Cross Currency Swap (Derivative designed as cash flow hedge)*	415.12	71.69	415.12	71.69
Financial liabilities				
Financial liabilities carried at fair value through profit or loss				

*Excluding accrued net interest payable of Rs. 36.21 crore.

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The management assessed the cash and cash equivalent, trade receivables trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Assumptions used in estimating the fair values:

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- i. Cross currency swap: The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable yield curve.
- ii. The fair values of quoted mutual funds and commercial paper are based on price quotations at the reporting date.

9. Fair Value Hierarchy:

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at:

Particulars	Date of Valuation	Total	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			Level-1	Level-2	Level-3
Assets measured at fair value					
At FVTPL					
Investment in mutual funds	September 30, 2018	902.48	902.48	-	-
	March 31, 2018	941.08	941.08	-	-
At FVTOCI					
Derivative designed as cash flow hedge (Cross currency swap)	September 30, 2018	415.12	-	415.12	-
	March 31, 2018	71.69	-	71.69	-

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

Valuation Techniques used to determine the Fair Value:

Specific valuation techniques used to value financial instruments include:

- i. The use of quoted market price of Mutual funds.
- ii. The Fair value of cross currency swaps is calculated as the present value of estimated future cash flows based on observable yield curves.

10. GHIAL has recognized, Minimum alternate tax (MAT) credit entitlement of Rs. 335.23 crore (March 31, 2018: Rs. 269.10 crore), as GHIAL based on estimates expects to adjust this amount after expiry of the tax holiday period (i.e. AY 2022-23) u/s 80IA of the Income Tax Act, 1961. Management is confident that in view of the anticipated tariff orders for the control periods which will be effective from financial year 2017-18, GHIAL's normal tax liability will be more than the MAT payable after considering the deduction under section 80IA of the Income Tax, Act, 1961.

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11. GHASL continues to recognize, Minimum alternate tax (MAT) credit entitlement of Rs. 0.30 crore (March 31, 2018 Rs. 0.30 crore), Management is confident that GHASL's normal tax liability will be more than the MAT payable as per the Income Tax, Act, 1961.
12. Minimum Alternative Tax (MAT) Credit Entitlement claimed by HMA CPL in the income tax returns aggregating Rs. 32.31 crore have not been recognised in the books in view of the ongoing disputes/litigations with the tax authorities.
13. The Airport Economic Regulatory Authority ('AERA'), passed an Aeronautical tariff order No. 38 dated February 24, 2014, in respect of control period from April 1, 2011 to March 31, 2016. GHIAL had filed an appeal, challenging the disallowance of pre control period losses, foreign exchange loss on ECB and other issues for determination of its tariff with the AERA Appellate Tribunal (AERAAT) against the aforesaid order. Due to non-constitution of AERAAT Bench, GHIAL had filed a writ petition with the Honorable High Court at Hyderabad for the State of Telangana and for the State of Andhra Pradesh, which is yet to be heard.
14. GHIAL filed an application with AERA for determination of Aeronautical Tariff in respect of Second Control period from April 1, 2016 to March 31, 2021 including True up for shortfall of receipt vis a vis entitlement for the first control period. Pending determination of Aeronautical Tariff, AERA vide its order no. 21 dated September 28, 2018 has allowed to continue to charge the Aeronautical tariff as prevailed on 31.03.2016 till further orders in view of the stay order from the High court.
15. On December 19, 2017, AERA issued a Consultation Paper inviting comments from all stakeholders in connection with determination of Tariff of the Hyderabad Airport for the Second Control Period. However, as the aforesaid Consultation Paper does not address the existing issues arising out of the Tariff Order for the first control period, the Company filed a writ petition against the aforesaid Consultation Paper before the Honorable High Court at Hyderabad for the State of Telangana and for the State of Andhra Pradesh on February 6, 2018. Pending the disposal of the existing matters of the Tariff Order for the first control period, the Honorable High Court issued a stay order dated February 7, 2018 in respect of further proceedings in determination of Tariff order for the second control period.
16. GHIAL has provided for MAT liability for the period as per section 115JB of Income Tax Act, 1961; considering the book profit as per financial statements prepared in accordance with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015 as amended, which requires the Companies to also provide for one-fifth of total MAT liability arising as a result of adjustments to Retained earnings (i.e. retained earnings as at April 1, 2016, as and to the extent increased by Ind AS adjustments) as per applicable Ind AS. For the purpose of these special purpose interim standalone financial statements, GHIAL has considered the MAT expenses / liability arrived at basis such Special Purpose Interim Condensed Ind AS Standalone Financial Information.
17. The Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information of GHIAL do not include Accounts for Passenger Service Fee- Security Component [PSF- (SC)] as the same are maintained separately in the fiduciary capacity by GHIAL on behalf of the Government of India and are governed by Standard Operating Procedure vide letter number AV/13024/047/2003-SS/AD dated January 19, 2009 issued by the Ministry of Civil Aviation, Government of India.
18. As per the Concession Agreement (CA), the GHIAL is required to pay concession fee to MoCA @ 4% on its gross revenue. As per Article 3.3.2 of CA, "Gross Revenue" is defined to include all pre-tax revenue of GHIAL with certain specified exclusions.

Management is of the view that certain income / credits arising on adoption of Ind-AS and also mark to market gain on valuation of IRS was not in contemplation of parties in December 2004 when this Concession agreement was signed / entered. Further, these income/credits in Statement of Profit and Loss

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do not represent receipts from business operations, from any external sources and therefore, are not treated as "Gross Revenue" for computation of Concession fee to MoCA. Accordingly, GHIAL has not provided the concession fee on such income /credits.

Also, income generated on investment of part proceeds of SSN earmarked for airport expansion project and adjusted from the value of capital work in progress does not represent receipts from business operation and the same is not considered for computation of Concession fee to MoCA.

Description	Incomes forming part of
Discounting of interest free loan given to subsidiaries#	Finance income
Discounting of interest free loan given to Joint Venture	Finance income
Income arising from fair valuation of financial guarantee#	Finance income
Discounting on fair valuation of deposit received from	Non aero revenue
Income from government grant	Other income
Amortisation of deferred income	Other income

These transactions got eliminated in the consolidated financial statement of the Group.

19. In case of HMA CPL, the Bureau of Civil Aviation (BCAS), through its order dated April 28, 2010, decided that there shall be a Sterile Cargo Holding Area at the airports. The access to cargo processing area will be regulated by airport entry permits issued by BCAS. Accordingly, Central Investigative Security Force (CISF) personnel were deployed as per the instructions of BCAS and the security charges includes accrual of security cost of CISF personnel amounting to Rs. 0.77 crore (September 30, 2018: Rs. 1.30 crore). The Management is confident that there would be no additional liability other than the amount accrued in the books of account.
20. The Group has undertaken necessary steps to comply with the transfer pricing regulations. The Management is of the opinion that the international and domestic transactions are at arm's length and believes that the aforesaid legislation will not have any impact on the Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information.
21. The Board of directors of wholly owned subsidiary namely "Hyderabad Airport Security Service Limited"(HASSL) at its meeting held on September 27, 2018, approved the proposal to wind the affairs by way of voluntary liquidation. Accordingly, HASSL has appointed Liquidator for the purposed voluntary liquidation on September 27, 2018 and is under the Voluntary Liquidation Process as required under Insolvency and Bankruptcy Code 2016 read with the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017. As on date, "HASSL" has the positive net worth hence does not have any adverse effect to the above financial results of GHIAL.
22. Reimbursement of Expenses claimed by GHIAL have been reduced from the respective expense head as mentioned in the table below:

Expense Head	For the six months period ended September 30, 2018	For the six months period ended September 30, 2017
Electricity and water charges	12.12	11.94
Salaries, wages and bonus	0.13	0.11
Staff welfare expenses	0.15	0.31
Travelling and conveyance	0.01	0.01
Housekeeping charges	0.55	-
Irrigation charges	0.02	-
Landscape charges	0.02	-
Technical O&M charges	0.15	-
Conference expenses	0.18	-
Miscellaneous	0.02	0.05

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23. Goodwill on acquisition:

In August 2014, GHIAL has made additional investment of 5% stake in GAEL, thereby making the shareholding from 50% to 55% making GAEL and GATL from jointly controlled entities to subsidiaries. Subsequently in December '14, GHIAL has acquired the balance stake thereby making GAEL and GATL 100% subsidiaries. On conversion of joint controlled entities to subsidiaries, the excess of Investment over the net assets as on the day of acquisition has been treated as Goodwill.

On October 9, 2017, GHIAL has bought out the balance stake i.e. 60% shareholding amounting to Rs. 5.34 crore, in Asia Pacific Flight Training Academy Ltd. (APFTAL) held by its JV partner M/s Asia Pacific Flight Training Academy SDN BHD, Malaysia (APFT-Malaysia) at a value of One US Dollar. On conversion of joint controlled entities to subsidiaries, the excess of Investment over the net assets as on the day of acquisition has been treated as Goodwill.

- (i) The interest of the GHIAL, as on the date of conversion during previous year, in the net assets of the GAEL, GATL (wholly owned subsidiary of GAEL) and APFTAL are given below:

Particulars	GAEL *	APFTAL
Net assets acquired on the date of acquisition. (A)	(24.58)	(4.14)
Purchase consideration and investment by GHIAL (B)	11.69	0.00
Net Goodwill (A-B)	36.27	4.14

*Includes net assets of GATL (wholly owned subsidiary of GAEL).

Note: The Special purpose unaudited consolidated interim condensed financial information as at September 30, 2018 include goodwill on additional investment by GHIAL during the financial year 2014-15 in subsidiary GAEL. GAEL has a wholly owned subsidiary GATL which has incurred losses of Rs. 11.85 crore (March 31, 2018: Rs. 57.47 crore) for the six months period ended and has accumulated losses as at September 30, 2018 of Rs. 433.56 crore (March 31, 2018: Rs. 421.51 crore) which exceeds its net worth. Also GATL has incurred cash loss in the preceding financial years. The future economic benefit from such goodwill is dependent upon the ability of the aforesaid wholly owned subsidiary to scale up its operations in future and achieve sustained profitability. Based on the future business plan and projections approved by the board of director of the subsidiary company and valuation assessment done by the management, the management of the Group expects that there will be significant increase in the operations of GATL that will lead to future economic benefits. Accordingly, these Special Purpose Unaudited Consolidated Interim Condensed Ind AS Financial Information do not include any adjustment relating to the Impairment of Goodwill.

Impairment testing of goodwill:

Goodwill acquired through business combinations has been allocated to the below business of maintenance, repair and overhaul (MRO) and business of flight training academy managed through the above referred operating entities for impairment testing:

Carrying amount of goodwill allocated to MRO and flight training business:

Intangible Assets	September 30,2018	March 31,2018
Goodwill-GAEL&GATL	36.27	36.27
Goodwill-APFTAL	4.14	4.14

MRO:

The Group performed its annual impairment test for year ended March 31, 2018 in April 2018, (hereinafter

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‘reference date’, this is generally based on year-end). Based on the management approved Business plan and valuation assessment done by its management, the management of the Group expects that there will be significant increase in the operations of GATL achieve sustained profitability.

The projections of the business is above the book value of its equity, indicating no sign of impairment of goodwill and impairment of the assets of the operating business. Accordingly, these Special Purpose Unaudited Consolidated Interim Condensed Financial Information do not include any adjustment relating to the impairment of Goodwill acquired through business combination.

The recoverable amount of the MRO business, Rs. 36.27 crore as at September 30, 2018, has been determined based on the management approved business plan of the operating entity covering a ten-year period. The projected cash flows have been updated to reflect the decreased demand for services. The pre-tax discount

rate applied to cash flow projections for impairment testing during the current period is 13.53% (March 31, 2018: 13.53%) and cash flows beyond the ten-year period are extrapolated using a 3.0% growth rate (March 31, 2018: 3.0%) that is the same as the long-term average growth rate for the MRO industry. As a result of this analysis, there is no permanent diminution in the value of goodwill, accordingly, these financial information do not include any adjustments relating to impairment of goodwill.

The calculation of value in use for MRO business is most sensitive to the following assumptions:

- ▶ Revenue
- ▶ Discount rates
- ▶ Cost price inflation
- ▶ Growth rates used to extrapolate cash flows beyond the forecast period

Revenue:- Revenue are based on existing contracts and expected contracts from potential customers. These are increased over the projected period for anticipated efficiency improvements and increased demand. An increase of 5% growth rate per annum was applied.

Discount rates - Discount rates represent the current market assessment of the risks specific to the business, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the cost of equity. The cost of equity is derived from the expected return on investment by the Group’s investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Cost price inflation – Estimates are obtained from general inflation indices, as well as data relating to specific material items. Forecast figures are used if data is publicly available, otherwise past actual material price movements are used as an indicator of future price movements.

Growth rate estimates – Rates are based on expected industry growth. For the reasons explained above, the long-term rate used to extrapolate the budget for the MRO business.

Sensitivity to changes in assumptions -

Revenue: The management has considered the possibility of greater than forecast increase in revenue. Revenue are based on existing contracts and expected contracts from potential customers for projected period. These are increased over the projected period for anticipated efficiency improvements and increased demand. An increase of 5% per annum was applied. A decreased demand can lead to a decline in revenue. A decrease in revenue growth by 2.40% would result in impairment.

Discount rates - A rise in pre-tax discount rate to 16.70 % (i.e. +3%) would result in impairment.

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Cost price inflation – The management has considered the possibility of greater than forecast increases in cost price inflation. Forecast price inflation lies within a range of 7%. If cost price increase is greater than 10% and the Business Unit is unable to pass on or absorb these increases through efficiency improvements, then the Group will have an impairment.

Growth rate estimates –The management has considered stable perpetual growth rate of 3%. The management recognizes that the possibility of new entrants can have a significant impact on growth rate assumptions and a reduction of 9% perpetual growth rate after forecast period will result in impairment.

Flight Training Academy

The Group performed its impairment test for the year ended March 31, 2018 in April 2018, (hereinafter 'reference date'). Based on the management approved Business plan and valuation assessment done by its management, the management of the Group expects that there will be significant increase in the operations of APFTAL and achieve sustained profitability.

The projections of the business is above the book value of its equity, indicating no sign of impairment of goodwill and impairment of the assets of the operating business. Accordingly, these Special Purpose Unaudited Consolidated Interim Condensed Financial Information do not include any adjustment relating to the impairment of Goodwill acquired through business combination.

The recoverable amount of the APFTAL business, Rs. 4.14 crore as at September 30, 2018, has been determined based on the management approved business plan of the operating entity covering a twelve-year period. The pre-tax discount rate applied to cash flow projections for impairment testing for the period ended March 31, 2018 is 13.69% and cash flows beyond the twelve-year period are extrapolated using a 5.0% growth rate that is the same as the long-term average growth rate for the Flight Training Industry. As a result of this analysis, there is no permanent diminution in the value of goodwill, accordingly, these financial information do not include any adjustments relating to impairment of goodwill.

The calculation of value in use for APFTAL business is most sensitive to the following assumptions:

- ▶ Aircraft Utilisation (Flying Hours)
- ▶ Discount rates
- ▶ Revenue Escalation
- ▶ Growth rates used to extrapolate cash flows beyond the forecast period

Revenue:- Revenue are based the utilisation of Aircraft i.e flying hours, as there is sufficient number of student on board and also expects contracts from potential customers. Flying hours is expected to increase with the addition of new fleet over the projected period and with the anticipated efficiency improvements.

Discount rates - Discount rates represent the current market assessment of the risks specific to the business, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the cost of equity. The cost of equity is derived from the expected return on investment by the Group's investors.

Revenue Escalation – Estimates are obtained from general escalation rate, as well as considering the increase in market demand and positive outlook for the aviation business.

Growth rate estimates – Rates are based on expected industry growth. For the reasons explained above, the long-term rate used to extrapolate the budget for the APFTAL business.

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Sensitivity to changes in assumptions -

Revenue: The management has considered the possibility of greater than forecast increase in revenue. Revenue are based the utilisation of Aircraft i.e flying hours, as there is sufficient number of on board students and also expects contracts from potential customers. Flying hours is expected to increase with the addition of new fleet over the projected period and with the anticipated efficiency improvements. Utilisation of 75% for existing aircrafts and 90% for new aircrafts is expected over the projected period. Unexpected congestion at RGIA or bad weather conditions can lead to a decline in flying hours. A decrease in utilisation above 14% (i.e +14 hours/ month/ Aircraft) would result in impairment.

Discount rates - A rise in pre-tax discount rate above 19.69 % (i.e. +6%) would result in impairment.

Revenue Escalation - The management expects the possibility of greater than forecast increases in course fee. Revenue escalation lies within a range of 5%. If the course fee increase yoy is less than 3.10%, then would result in impairment.

Growth rate estimates -The management has considered stable perpetual growth rate of 5%. The management recognizes that the possibility of new entrants can have some impact on growth rate assumptions and a reduction of 26% in perpetual growth rate after forecast period will result in impairment.

27. During the period the Company has capitalized the following expenses of revenue nature to the cost of property, plant and equipment/ capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

	September 30 2018	March 31 2018
Capital expenditure incurred on property, plant and equipment	376.74	264.07
Revenue items:		
Legal and professional	74.18	74.37
Employee benefits expense	0.76	0.76
Rates and taxes	0.65	0.64
Travelling and conveyance	0.31	0.31
Senior secured notes issue costs amortised	0.67	0.35
Land Lease rental	0.26	0.26
Finance costs*	42.59	20.33
Others	0.81	0.05
Total (i)	496.97	361.14
Less:- Other income		
Interest income from bank deposit	(3.40)	(0.49)
Net gain on sale of current investments	(21.22)	(11.51)
Temporary lease rentals earned net of taxes	(0.58)	(0.58)
Fair valuation of investment in debt oriented mutual funds	(0.01)	(0.71)
Total (ii)	(25.21)	(13.29)
Net Capital work in progress (i+ii)	471.76	347.86

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During the six months period ended September 30, 2018 the Group has capitalized the following expenses of revenue nature to the capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Group.

Particulars	For the six months period ended September 30, 2018	For the six months period ended September 30, 2017
Revenue expense:		
Subcontracting and other professional expenses	(0.19)	8.27
Employee benefit expense	(0.00)	-
Rates & taxes	0.01	-
Senior secured notes issue cost amortised	0.31	-
Finance cost	22.26	-
Other expenses	0.76	0.05
Total (A)	23.15	8.32
Less: Other income		
Interest income from bank deposit	(2.91)	
Net gain on sale of current investment	(9.71)	
Fair value of mutual fund	0.70	
Total (B)	(11.92)	
Net (C=A+B)	11.23	8.32

28. Utilization of money raised through issue of Senior Secured Notes (SSN)

During the previous year, the Company raised USD 350 million (INR 2,273.74 crore) through issue of 4.25% Senior Secured Notes (SSN) from overseas market for the following purpose:

- (i) repay the existing Rupee Facilities and the External Commercial Borrowing (ECB) Facility and pay the termination payments for the interest rate swaps (IRS) related thereto, and
- (ii) use any remaining amounts for capital expenditures with respect to Airport Activities (as defined in the Concession Agreement) as part of the expansion.

The coupon rate is fixed through the tenor and payable semi-annually. The Notes are repayable after 10 years i.e. October 27, 2027.

	For the six months period ended September 30, 2018	For the year ended March 31, 2018
Issue proceeds from SSN	2,273.74	2,273.74
Utilized during previous year	1866.41	-
Unutilized amount at the beginning of the period (A)	407.33	2,273.74
Less: Amount utilised during the year:		
Repayment of ECB	-	449.55
Interest rate swap termination cost	-	55.32
Repayment of existing Rupee facilities	-	1,261.97
Utilised for expansion project works	165.59	111.57
Total (B)	165.59	1878.41
Add: Income on temporary cash investment (C)	12.62	12.00
Unutilised amount at the end of the period / year (A-B+C)	254.36	407.33

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Details of temporary cash investment made from unutilized portion of Senior Secured Notes raised during the period ended as at September 30, 2018:

	No of Units	September 30, 2018	No of Units	March 31, 2018
Investment in Liquid Growth Funds				
HDFC Liquid Fund	-	-	293,657.06	100.00
ICICI - Liquid fund	3,179,554.365	84.36	4,765,468.23	121.96
AXIS Liquid Fund	-	-	2,701.77	0.52
SBI Premier Liquid Fund	-	-	286,959.04	77.78
Birla Sun Life Cash Plus	2,430,921.038	70.00	3,854,992.93	107.07
Fixed Deposit with Yes Bank	-	100.00		-
Total		254.36		407.33

For GMR Hyderabad International Airport Limited

Sd/-
SGK Kishore
Chief Executive Officer

Sd/-
Rajesh Arora
Chief Financial Officer

Place: Hyderabad
Date: November 27, 2018