# Reports and Accounts of Subsidiary Companies

2020-2021

# CONTENTS

# INDIAN SUBSIDIARY

# UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED

*(FORMERLY KNOWN AS ROHINI INDUSTRIAL ELECTRICALS LIMITED)*

Directors
**Mr. Anil George** *(Chairman)*
**Mr. Pradeep Kumar Bakshi** *(Managing Director) w.e.f. 1st April, 2021*
**Mr. Debendranath Sarangi**
**Mr. S. V. Phene**
**Ms. Sandhya Shailesh Kudtarkar**
**Dr. Anoop Kumar Mittal** *w.e.f. 28th April, 2021*

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Directors present their Thirty-Eighth Annual Report and Audited Financial Statements for the year ended 31st March, 2021.

**1. Financial Results and Operations:**

₹ in crores

| | **2020-21** | 2019-20 |
|---|---|---|
| Revenue from operations | **323.30** | 452.99 |
| Other income | **0.26** | 0.17 |
| Total expenses | **305.34** | 441.49 |
| Profit before Tax | **18.22** | 11.67 |
| Tax expense | **8.50** | 3.53 |
| Profit after Tax | **9.72** | 8.14 |

(i) The Company has reported lower revenue of ₹ 323 crores for the year ended 31st March, 2021 as compared to ₹ 453 crores, last year. The COVID-19 pandemic lockdown situation in the Country, resulted in slow pace of execution of ongoing projects and also led to delay in booking of new orders. However, Profit Before Tax was higher at ₹ 18 crores as compared to ₹ 12 crores in the previous year. Net Profit for the year ended 31st March, 2021 was also higher at ₹ 9.72 crores as compared to ₹ 8.14 crores last year. Major orders booked by the Company during 2020-21, comprise EPC contracts for Solar Projects aggregating ₹ 424 crores and orders aggregating ₹ 67 crores for 3 MEP projects.

(ii) The Directors had, at the Board Meeting held on 2nd December, 2020 approved the modification in the Objects clause of the Memorandum of Association providing for diversifying into domestic projects business – MEP/HVAC and Water, Textile Machinery business and Mining & Construction Equipment business. The said modification was approved by the Members at the Extra-Ordinary General Meeting (EOGM) of the Company held on 3rd December, 2020 and also by the Registrar of Companies, Mumbai, Maharashtra (ROC) and a certificate dated 21st December, 2020 was issued to that effect.

(iii) In order to correctly represent and reflect the diversified businesses of the Company to the market appropriately, the Members had also at the EOGM held on 3rd December, 2020 approved the change of name of the Company from Rohini Industrial Electricals Limited to 'Universal MEP Projects & Engineering Services Limited'. The said change of name of the Company was approved by ROC and a fresh Certificate of Incorporation dated 18th January, 2021 was issued.

(iv) The Company had during the year under review made a Rights issue of 15,00,00,000 Equity Shares of ₹ 10 each for cash at par to Voltas Limited, holding company aggregating ₹ 150 crores for which purpose, the Authorised Capital of the Company was increased from ₹ 132 crores to ₹ 302 crores. The proceeds of the aforesaid Rights issue were utilized for redeeming 1,27,00,000 0.01% Cumulative Redeemable Preference Shares of ₹ 100 each aggregating ₹ 127 crores which has improved the Net Worth of the Company and strengthen its Balance Sheet. Thus, the Paid-up Capital of the Company stands increased to ₹ 151.83 crores comprising 15,18,25,782 Equity Shares of ₹ 10 each.

(v) Further, the Company executed a Business Transfer Agreement (BTA) with Voltas Limited, holding company on 24th March, 2021, for purchase of their domestic B2B businesses comprising the Projects business (MEP/HVAC and Water), Textile Machinery business and Mining & Construction Equipment business as a going concern, on a slump sale basis for a consideration in the range between ₹ 1,000 crores and ₹ 1,200 crores, subject to satisfaction of certain Conditions Precedent prior to the Closing Date, which is targeted by end September 2021. Necessary adjustments to the aforesaid purchase consideration would be carried out , if so required due to change in circumstances, working capital and other adjustments at the time of culmination of the transaction as on the Closing Date.

(vi) Based on request made by the Company, Tata Sons Private Limited has agreed to enter into a Tata Brand Equity and Business Promotion (BEBP) Agreement with Tata Sons Private Limited to use the bylines "A Tata Enterprise" and "A Tata Product", subject to suitable amendment in the Articles of Association (AOA) of the Company. Accordingly, a Resolution seeking approval of the Members for amendment in AOA forms part of the Notice of Thirty-Eighth Annual General Meeting (AGM).

**2. Reserves:**

In view of the accumulated losses, no amount is transferred to General Reserve.

**3. Dividend:**

The Directors do not recommend any dividend on equity and/or preference shares for the financial year 2020-21.

**4. Number of Board Meetings:**

During the year under review, 7 Board Meetings were held on 24th April, 2020; 23rd July, 2020; 23rd October, 2020; 2nd December, 2020; 21st January, 2021; 5th March, 2021 and 31st March, 2021. Due to COVID-19 pandemic, the Ministry of Corporate Affairs had permitted to convene the Board/Committee Meetings through video conferencing (VC). Accordingly, all the Board/Committee Meetings and 37th AGM were held through VC.

**5. Directors and Key Managerial Personnel (KMP):**

In accordance with the provisions of Companies Act, 2013 (the Act), as amended from time to time and the Company's Articles of Association, Mr. Anil George retires by rotation and being eligible, offers himself for re-appointment.

Mr. Pradeep Kumar Bakshi, the Managing Director & CEO of Voltas was appointed as the Managing Director and Key Managerial Personnel (KMP) of the Company for a term of 5 years commencing from 1st April, 2021 subject to approval of shareholders at the Thirty-Eighth AGM. The appointment of Mr. Pradeep Bakshi, as aforesaid was approved by the Nomination and Remuneration Committee (NRC) of the Company and also by the Board of Directors of Voltas.

Further, based on the recommendation of NRC, the Board has also appointed Dr. Anoop Kumar Mittal as Additional Director and as an Independent Director of the Company with effect from 28th April, 2021 for a term of 3 years up to 27th April, 2024. Resolutions seeking approval of Members for appointment of Mr. Pradeep Bakshi and Dr. Anoop Kumar Mittal, respectively form part of the Notice of Thirty-Eighth AGM of the Company.

Mr. Abhijeet Mukherjee, who was earlier appointed as the Manager and KMP of the Company under the provisions of the Act, relinquished his position as the Manager and KMP with effect from 1st April, 2021.

**6. Audit Committee:**

Audit Committee comprise Mr. Anil George, Mr. Debendranath Sarangi and Mr. S. V. Phene, Non-Executive Directors. Mr. Anil George is the Chairman of Audit Committee. The Board has accepted the recommendations made by the Audit Committee, from time to time. During the year under review, 4 Audit Committee Meetings were held on 24th April, 2020; 23rd July, 2020; 23rd October, 2020 and 21st January, 2021.

**7. Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee (NRC) comprise Mr. Debendranath Sarangi (Chairman), Mr. Anil George and Mr. S. V. Phene, Non-Executive Directors of the Company. During the year under review, 2 NRC Meetings were held on 5th March, 2021 and 31st March, 2021.

**8. Corporate Social Responsibility:**

Corporate Social Responsibility Committee (CSR) comprise Mr. Anil George (Chairman), Ms. Sandhya S. Kudtarkar and Mr. S. V. Phene Non-Executive Directors of the Company. In view of accumulated losses, the Company was not required to spend any amount on CSR during the year 2020-21. No CSR Committee Meeting was held during the year under review. Annual Report on CSR is therefore not required.

**9. Policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director:**

Based on the recommendation of NRC, the Board has adopted the Remuneration Policy for Directors, KMP and other Employees. NRC has also formulated the criteria for determining qualifications, positive attributes and independence of Director as well as the criteria for evaluation of individual Directors, the Board as a whole and Committees.

**10. Manner in which formal annual evaluation has been made by the Board of its own performance and that of its Committees and individual directors:**

Pursuant to the provisions of the Act, the Board has carried out an evaluation of its own performance, Committees and performance of individual Directors.

The performance of the Board, Committees and individual Directors was evaluated by seeking inputs from all Directors based on certain parameters such as: Structure, Meetings, Functions of the Board, Board and Management. Feedback received from Directors was discussed at the NRC Meeting held on 5th March, 2021. Performance of Non-Executive Directors, including Chairman and the Board as a whole was also evaluated. The performance of Directors, the Board as a whole and various Committees was reviewed and deliberated at the Board Meeting on 5th March, 2021.

**11. Statutory Auditors:**

The Members had, at the 34th AGM of the Company held on 28th July, 2017, approved the appointment of S R B C & Co. LLP (SRBC) as Statutory Auditors for a term of five years from the conclusion of 34th AGM till the conclusion of 39th AGM of the Company to be held in the year 2022. The Auditors' Report for 2020-21 does not contain any qualification, reservation and adverse remark.

**12. Secretarial Auditor:**

M/s. N L Bhatia & Associates, Practicing Company Secretaries were appointed as Secretarial Auditor to undertake Secretarial Audit of the Company for the year 2020-21. Their Secretarial Audit Report, in prescribed Form No. MR-3 is enclosed as Annexure I. Their Report does not contain any qualification, reservation or adverse remark. The Board has re-appointed them as Secretarial Auditor of the Company for the year 2021-22.

**13. Risk Management:**

The Company is engaged in the business of executing Electrical as well as Solar projects. In the opinion of the Board, there are no foreseeable risks which could impact the existence of the Company or its business.

**14. Annual Return:**

Pursuant to provision of Sections 92 and 134(3)(a) of the Act as amended, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the Company is required to place the Annual Return in prescribed Form No. MGT-7 on the website of the Company, if any and therefore not required to be annexed to the Directors Report. As the Company presently does not have any website, the copy of the Annual Return is kept open for inspection by the Members at the Registered office of the Company during business hours on all working days.

**15. Conservation of energy, technology absorption, foreign exchange earnings and outgo:**

The particulars with respect to conservation of energy, technology absorption being not relevant, have not been given. The Company had no foreign exchange earnings and outgo during the year under review.

**16. Details of establishment of vigil mechanism for directors and employees:**

The Company is not required to establish a vigil mechanism for Directors and employees. However, the Company provides a free and conducive environment to its employees and is open to address their issues/grievances (if any).

**17. Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

The Company has zero tolerance for sexual harassment at workplace and has adopted a 'Respect for Gender' Policy on prevention, prohibition and redressal of sexual harassment. The Company has constituted Internal Committee in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. The Company has not received any complaint on sexual harassment during the year 2020-21.

**18. Particulars of contracts or arrangements with related parties:**

All related party transactions during the year 2020-21 were in the ordinary course of business and satisfied the test of arm's length. Details in prescribed Form No. AOC-2 is annexed to this Report as Annexure II.

**19. Secretarial Standards:**

The Company has complied with the provisions of Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2).

**20. Directors' Responsibility Statement:**

Based on the compliance systems established and maintained by the Company, work performed by Internal, Statutory and Secretarial Auditors, including audit of internal financial controls over financial reporting by Statutory Auditors, the reviews performed by Management/Audit Committee and the representations received from the Operating Management, the Board, pursuant to Section 134(5) of the Act confirm that:

(i) in the preparation of the annual accounts for the year ended 31st March, 2021, the applicable accounting standards had been followed and that there were no material departures;

(ii) they have, in the selection of accounting policies consulted the Statutory Auditors and have applied their recommendations consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit of the Company for that period;

(iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the annual accounts on a going concern basis; and

(v) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**21. General:**

As regards items of Special Business in the Notice of 38th AGM, the Resolutions incorporated in the Notice and the Explanatory Statement annexed thereto fully indicate the reasons for seeking the approval of the Members to the proposals. Attention of the Members is drawn to these Resolutions.

On behalf of the Board of Directors

**Anil George**

*Mumbai, 28th April, 2021* *Chairman*

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## Annexure I

## SECRETARIAL AUDIT REPORT

## Form No. MR-3

## FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2021

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

**TO**

**THE MEMBERS OF**

**UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED**
*(Formerly known as ROHINI INDUSTRIAL ELECTRICALS LIMITED)*

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED** (Formerly known as ROHINI INDUSTRIAL ELECTRICALS LIMITED) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March, 2021 according to the provisions of:

(1) The Companies Act, 2013 (the Act) and the Rules made thereunder including amendments made from time to time:

(2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder: - **Not applicable to the Company.**

(3) The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;

(4) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment; Overseas Direct Investment and External Commercial Borrowing: - **Not applicable to the Company.**

(5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): - **Not applicable to the Company.**

(a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(6) Other Laws applicable to the Company:

1. Bombay Labour Welfare Act, 1953.
2. Madhya Pradesh Labour Welfare Fund.
3. Bombay Shops & Establishment Act, 1948 (Maharashtra).
4. Bombay Stamp Act, 1958.
5. Child Labour (Prohibition and Regulation) Act, 1986 and Rules.
6. Children (Pledging of Labour) Act, 1933.
7. Contract Labour (Regulation and Abolition) Act, 1970 and Rules.
8. Employees Compensation Act, 1923.
9. Employees' Provident Funds Act and Miscellaneous Provisions Act, 1952.
10. Employees' State Insurance Act, 1948, Rules and Regulations.
11. Employment Exchange (Compulsory Notification of Vacancies) Act, 1959.
12. Equal Remuneration Act, 1976.
13. E-waste Management Rules, 2016.
14. Goods and Service Tax Act.
15. Income-tax Act, 1961 and Rules.
16. The Maharashtra Workmen's Minimum House-Rent Allowance Act, 1983.
17. The Payment of Gratuity Act, 1972
18. Maternity Benefit Act, 1961 and Rules.
19. Micro, Small and Medium Enterprises Development Act, 2006.
20. Minimum Wages Act, 1948 and State Rules.
21. Payment of Bonus Act, 1965 and Rules.
22. Payment of Wages Act, 1936 and Rules.
23. Personal injuries (Compensation Insurance) Act, 1963.
24. The West Bengal Labour Welfare Fund Act, 1974.
25. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

We have also examined compliance with the applicable clauses of Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board and General Meetings.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that the Board of Directors of the Company is duly constituted. The change in the composition of the Board of Directors and Key Managerial Personnel during the year is in compliance with the Act and the rules made thereunder. Mr. Debendranath Sarangi and Mr. Shreeharsha Vasant Phene were appointed as Non- Executive Director of the Company at the 37th AGM of the Company.

Adequate notice is given to all Directors to schedule the Board Meetings, Agenda and detailed notes on Agenda were sent seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the Meetings and for meaningful participation at the Meetings.

Majority decision is carried through while the dissenting members' views, if any are captured and recorded as part of the minutes. All decisions were passed unanimously at both Board and General Meetings.

We further report that, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable Laws, Rules, Regulations and Guidelines. The Company has complied with the COVID – 19 guidelines issued by MCA.

We further report that during the audit period,

(1) Authorised Share Capital of the Company was increased by ₹ 170 crores. The Authorised Share Capital of the Company as on 31st March, 2021 was ₹ 302 crores.

(2) The Company has issued Rights Shares and allotted 15,00,00,000 Equity Shares of ₹ 10 each for cash at par to Voltas Limited on 5th January, 2021.

(3) The Company has redeemed 0.01% 1,27,00,000 Cumulative Redeemable Preference Shares aggregating ₹ 127 crores. Redemption of Preference Shares was done out of the proceeds of fresh issue of Equity Shares as Rights Shares to the existing shareholder (Voltas Limited). The Paid-up Capital of the Company as on 31st March, 2021 was ₹ 151.83 crores comprising 15,18,25,782 Equity Shares of ₹ 10 each.

(4) The Name of the Company has been changed from **ROHINI INDUSTRIAL ELECTRICALS LIMITED to UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED** with effect from 18th January, 2021.

(5) The Company has also amended its Objects clause in the Memorandum of Association (MOA) to diversify into various domestic business after obtaining the Shareholders approval at the Extra-Ordinary General Meeting held on 3rd December, 2020. The alteration in the MOA has been approved by the Registrar of Companies Maharashtra, Mumbai on 26th December, 2020.

For **N L Bhatia & Associates**
UIN: P1996MH055800
UDIN: FO08663C000190341

Bhaskar Upadhyay
Partner
FCS: 8663
CP. No. 9625
PR NO. 700/2020

*Mumbai, 27th April, 2021*

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**TO**
**THE MEMBERS OF**
**UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED**
(Formerly known as ROHINI INDUSTRIAL ELECTRICALS LIMITED)

Our report of even date is to be read along with this letter.

(1) Maintenance of Secretarial record is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these Secretarial Records based on our audit.

(2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

(3) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

(4) Where ever required, we have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events etc.

(5) The compliance of the provisions of Corporate and other applicable Laws, Rules, Regulations, Standards is the responsibility of Management. Our examination was limited to the verification of procedures on test basis.

(6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For **N L Bhatia & Associates**
UIN: P1996MH055800
UDIN: FO08663C000190341

Bhaskar Upadhyay
Partner
FCS: 8663
CP. No. 9625
PR NO. 700/2020

*Mumbai, 27th April, 2021*

## Annexure II
## Form No. AOC-2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014]

**Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.**

1. **Details of contracts or arrangements or transactions not at arm's length basis:**
   The Company has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2020-21.
2. **Details of material contracts or arrangement or transactions at arm's length basis:**
   (a) Name(s) of the related party and nature of relationship
   Voltas Limited, Holding company.
   (b) Nature of contracts/arrangements/transactions
   Refer Note No. 32 of the financial statements for the year ended 31st March, 2021.
   (c) Duration of the contracts/arrangements/transactions:
   Ongoing transactions.
   (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
   The Company undertakes execution of electrical projects. For value of transactions, Refer Note 32 of the financial statements for the year ended 31st March, 2021.
   (e) Date(s) of approval by the Board, if any:
   Not Applicable, since the transactions are in the ordinary course of business and on arm's length basis.
   (f) Amount paid as advances, if any: Nil

On behalf of the Board of Directors

**Anil George**
Chairman

Mumbai, 28th April, 2021

## INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF**
**UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED**
**(formerly known as Rohini Industrial Electricals Limited)**

**Report on the Audit of the Ind AS Financial Statements**

**Opinion**

We have audited the accompanying Ind AS financial statements of **Universal MEP Projects & Engineering Services Limited** (formerly known as Rohini Industrial Electricals Limited) ("the Company"), which comprise the Balance sheet as at March 31, 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

**Information Other than the Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors report but does not include the Ind AS financial statements and our auditor's report thereon.

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

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

**Responsibility of Management for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Ind AS Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

(1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

(2) As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

(i) The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 28 to the Ind AS financial statements;

(ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

(iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**
*Chartered Accountants*
(ICAI Firm Registration Number: 324982E/E300003)

per Dolphy D'Souza
*Partner*
Membership Number: 38730
UDIN: 21038730AAAAAP8524

*Mumbai, April 28, 2021*

**ANNEXURE "1" REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED**

**(FORMERLY KNOWN AS ROHINI INDUSTRIAL ELECTRICALS LIMITED)**

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) Property, plant and equipment have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the management and audit procedures performed by us there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) Inventories lying with third parties have been majorly confirmed by them as at year end and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us and audit procedures performed by us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/ services of the Company.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, cess and other statutory dues applicable to it.

(b) According to the information and explanations given to us and audit procedures performed by us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, there were no dues outstanding of Income-tax, Wealth-tax, and cess on account of any dispute. The disputed dues outstanding in respect of Sales Tax are as follows:

| Name of Statue | Nature of Dues | Forum where dispute is pending | Period to which amount relates | Amount Involved (₹ in lakhs) | Amount Unpaid (₹ in lakhs) |
|---|---|---|---|---|---|
| Sales Tax Act | Central Sales Tax, Value Added Tax, Works Contract Tax, Trade Tax and Entry Tax (including penalty and interest) | Appellate Tribunal | 2007-08, 2008-09, 2011-12, 2012-13, 2014-15, 2015-16 | 501.77 | 396.71 |
| | | Commissioner of Appeals | 2005-06 to 2016-17 | 898.87 | 835.95 |
| | | High Court | 2012-13 | 5.47 | 5.47 |

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) According to the information and explanations given by the management and audit procedures performed by us the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management and audit procedures performed by us, the managerial remuneration has been paid / provided in accordance with requisite approvals mandated by the provisions of section 197 read with Schedule V of the Companies Act, 2013.

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management and audit procedures performed by us, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(xv) According to the information and explanations given by the management and audit procedures performed by us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of the Companies Act, 2013.

(xvi) According to the information and explanations given to us and audit procedures performed by us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
*Chartered Accountants*
(ICAI Firm Registration Number: 324982E/E300003)

per Dolphy D'Souza
*Partner*
Membership Number: 38730
*Mumbai, April 28, 2021* UDIN: 21038730AAAAAP8524

**ANNEXURE "2" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF UNIVERSAL MEP PROJECTS & ENGINEERING SERVICES LIMITED (FORMERLY KNOWN AS ROHINI INDUSTRIAL ELECTRICALS LIMITED)**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Universal MEP Projects & Engineering Services Limited (formerly known as Rohini Industrial Electricals Limited) ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

**Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements**

A company's internal financial control over financial reporting with reference to these financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
*Chartered Accountants*
(ICAI Firm Registration Number: 324982E/E300003)

per Dolphy D'Souza
*Partner*
Membership Number: 38730
*Mumbai, April 28, 2021* UDIN: 21038730AAAAAP8524

## BALANCE SHEET AS AT 31ST MARCH, 2021

| | | Notes | ₹ In Lakhs | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|---|---|
| **A.** | **ASSETS** | | | |
| | **1. NON-CURRENT ASSETS** | | | |
| | (a) Property, plant and equipment | 4 | **72.35** | 75.19 |
| | (b) Intangible assets | 4 | **4.13** | 5.07 |
| | (c) Financial assets | | | |
| | Other financial assets | 5A | **10.54** | 10.18 |
| | (d) Income tax assets (Net) | 6 | **—** | 291.93 |
| | (e) Deferred tax assets (Net) | 7 | **3,540.43** | 3,931.18 |
| | (f) Other non-current assets | 8A | **822.93** | 864.65 |
| | **Total non-current assets** | | **4,450.38** | 5,178.20 |
| | **2. CURRENT ASSETS** | | | |
| | (a) Inventories | 9 | **71.25** | 105.82 |
| | (b) Financial assets | | | |
| | (i) Trade receivables | 10 | **8,283.08** | 10,977.06 |
| | (ii) Cash and cash equivalents | 11 | **838.97** | 705.20 |
| | (iii) Other financial assets | 5B | **195.04** | 401.81 |
| | (c) Contract assets | 12 | **15,027.47** | 10,791.53 |
| | (d) Other current assets | 8B | **4,144.46** | 1,515.34 |
| | **Total current assets** | | **28,560.27** | 24,496.76 |
| | **TOTAL ASSETS** | | **33,010.65** | 29,674.96 |
| **B.** | **EQUITY AND LIABILITIES** | | | |
| | **1. EQUITY** | | | |
| | Equity share capital | 13 | **15,182.58** | 182.58 |
| | Other equity | 14 | **(655.60)** | 2,700.12 |
| | **Total equity** | | **14,526.98** | 2,882.70 |
| | **2. LIABILITIES** | | | |
| | **NON-CURRENT LIABILITIES** | | | |
| | (a) Financial liabilities | | | |
| | (i) Non--Current borrowing | 15A | **—** | 7,920.53 |
| | (b) Provisions | 16 | **18.21** | 22.48 |
| | **Total non-current liabilities** | | **18.21** | 7,943.01 |
| | **3. CURRENT LIABILITIES** | | | |
| | (a) Financial liabilities | | | |
| | (i) Current borrowing | 15B | **—** | 5,032.82 |
| | (ii) Trade payables | | | |
| | (a) Total outstanding dues of micro enterprises and small enterprises | | **943.39** | 79.37 |
| | (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | | **15,493.72** | 12,370.11 |
| | (b) Provisions | 17 | **154.68** | 164.88 |
| | (c) Other current liabilities | 18 | **41.93** | 597.62 |
| | (d) Contract liabilities | 19 | **1,606.39** | 604.45 |
| | (e) Current tax liabilities | 20 | **225.35** | — |
| | **Total current liabilities** | | **18,465.46** | 18,849.25 |
| | **Total Liabilities** | | **18,483.67** | 26,792.26 |
| | **TOTAL EQUITY AND LIABILITIES** | | **33,010.65** | 29,674.96 |
| | Significant Accounting Policies | 2 | | |

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date
For **S R B C & CO LLP**
(ICAI Firm Registration No. 324982E/E300003)
*Chartered Accountants*

Dolphy D'Souza
Partner
Membership No. 38730

*Mumbai, 28th April, 2021*

For and on behalf of the Board of Directors

*Chairman* **Anil George** (DIN: 00590939)
*Managing Director* **Pradeep Bakshi** (DIN: 02940277)
*Chief Financial Officer* **Viral Sarvaiya**
*Company Secretary* **Vishal Totla**

*Mumbai, 28th April, 2021*

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2021

| | | Notes | ₹ In Lakhs | 2019-20 ₹ In Lakhs |
|---|---|---|---|---|
| **1.** | **INCOME** | | | |
| | (a) Revenue from operations | 21 | **32,330.02** | 45,298.73 |
| | (b) Other income | 22 | **26.81** | 17.09 |
| | **TOTAL INCOME** | | **32,356.83** | 45,315.82 |
| **2.** | **EXPENSES** | | | |
| | (a) Consumption of materials, cost of jobs and services | | **25,124.16** | 38,184.95 |
| | (b) (Increase)/ decrease in inventories of finished goods | 23 | **(5.78)** | (29.40) |
| | (c) Employee benefit expense | 24 | **2,061.65** | 2,690.85 |
| | (d) Finance costs | 25 | **945.67** | 1,563.60 |
| | (e) Depreciation and amortisation expense | 4 | **30.96** | 38.03 |
| | (f) Other expenses | 26 | **2,377.44** | 1,701.03 |
| | **TOTAL EXPENSES** | | **30,534.10** | 44,149.06 |
| **3.** | **PROFIT BEFORE TAX** | | **1,822.73** | 1,166.76 |
| **4.** | **TAX EXPENSE** | | | |
| | (a) Current tax expense | | **466.78** | 318.34 |
| | Adjustment related to earlier period | | **—** | (1.83) |
| | (b) Deferred tax charge | | **383.60** | 36.62 |
| | **TOTAL TAX EXPENSE** | 35 | **850.38** | 353.13 |
| **5.** | **PROFIT FOR THE YEAR** | | **972.35** | 813.63 |
| **6.** | **OTHER COMPREHENSIVE INCOME** | | | |
| | Items that will not be reclassified to profit or loss: | | | |
| | Re-measurement gains/ (losses) on defined benefit plans(net of income tax effect) | | **13.33** | (0.67) |
| **7.** | **TOTAL OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)** | | **13.33** | (0.67) |
| **8.** | **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **985.68** | 812.96 |
| **9.** | **EARNINGS PER EQUITY SHARE** | 30 | | |
| | Basic and Diluted - ( ₹ ) | | **2.62** | 44.56 |
| | Face value per equity share - ( ₹ ) | | **10.00** | 10.00 |
| | Significant Accounting Policies | 2 | | |

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date
For **S R B C & CO LLP**
(ICAI Firm Registration No. 324982E/E300003)
*Chartered Accountants*

Dolphy D'Souza
Partner
Membership No. 38730

*Mumbai, 28th April, 2021*

For and on behalf of the Board of Directors

*Chairman* **Anil George**
(DIN: 00590939)
*Managing Director* **Pradeep Bakshi**
(DIN: 02940277)
*Chief Financial Officer* **Viral Sarvaiya**
*Company Secretary* **Vishal Totla**

*Mumbai, 28th April, 2021*

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2021

**A. Equity share capital**

| | ₹ In Lakhs |
|---|---|
| Balance as at 31st March, 2019 | 182.58 |
| Changes in equity share capital | — |
| Balance as at 31st March, 2020 | 182.58 |
| Changes in equity share capital | 15,000.00 |
| **Balance as at 31st March, 2021** | **15,182.58** |

**B. Other equity**

₹ In Lakhs

| | Reserves and surplus (Refer Note 14) | | | | |
|---|---|---|---|---|---|
| | **General Reserve** | **Securities Premium** | **Retained Earnings** | **Equity component of liability** | **Total other equity** |
| Balance as at 31st March, 2019 | 2,053.76 | 492.43 | (8,903.11) | 8,244.08 | 1,887.15 |
| Profit for the year | — | — | 813.63 | — | 813.63 |
| Other Comprehensive Income for the year | — | — | (0.67) | — | (0.67) |
| Total Comprehensive Income for the year | — | — | 812.96 | — | 812.96 |
| Balance as at 31st March, 2020 | 2,053.76 | 492.43 | (8,090.16) | 8,244.08 | 2,700.11 |
| Profit for the year | — | — | 972.35 | — | 972.35 |
| Other Comprehensive Income for the year | — | — | 13.33 | — | 13.33 |
| Total Comprehensive Income for the year | — | — | 985.68 | — | 985.68 |
| Adjustment of equity component of liability on repayment of preference share capital (recognised as per Ind AS 109) | — | — | — | (4,190.09) | (4,190.09) |
| Share issue expenses | — | (151.30) | — | — | (151.30) |
| **Balance as at 31st March, 2021** | **2,053.76** | **341.13** | **(7,104.48)** | **4,053.99** | **(655.60)** |

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date
For **S R B C & CO LLP**
(ICAI Firm Registration No. 324982E/E300003)
*Chartered Accountants*

Dolphy D'Souza
Partner
Membership No. 38730

*Mumbai, 28th April, 2021*

For and on behalf of the Board of Directors

*Chairman* **Anil George**
(DIN: 00590939)
*Managing Director* **Pradeep Bakshi**
(DIN: 02940277)
*Chief Financial Officer* **Viral Sarvaiya**
*Company Secretary* **Vishal Totla**

*Mumbai, 28th April, 2021*

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2021

| | | ₹ In Lakhs | 2019-20<br>₹ In Lakhs |
|---|---|---|---|
| **A.** | **Cash flow from Operating Activities** | | |
| | Profit before tax | **1,822.73** | 1,166.76 |
| | Adjustments to reconcile profit before tax to net cash flows: | | |
| | Unclaimed credit balances written back | **(60.37)** | (166.43) |
| | Interest income | **(26.81)** | (17.09) |
| | Finance costs | **945.67** | 1,563.60 |
| | Depreciation and amortisation expenses | **30.96** | 38.03 |
| | Expected credit loss for trade receivable and contract assets | **433.89** | 260.16 |
| | Allowance for doubtful debts and advances | **0.77** | 12.89 |
| | Property, plant and equipment written off | **—** | 1.15 |
| | Operating profit before working capital changes | **3,146.84** | 2,859.07 |
| | **Working capital adjustments:** | | |
| | Adjustments for (increase) / decrease in operating assets: | | |
| | Trade receivables | **1,828.56** | 1,056.63 |
| | Financial assets | **206.51** | (171.93) |
| | Other current assets (including inventories and contract assets) | **(6,970.88)** | 11,717.09 |
| | Adjustments for increase / (decrease) in operating liabilities: | | |
| | Trade payables | **4,048.07** | (4,472.97) |
| | Provision | **6.01** | 45.81 |
| | Other current liability (including contract liability) | **446.19** | 597.39 |
| | **Cash generated from operations** | **2,711.30** | 11,631.09 |
| | Income tax refund/(paid) | **40.00** | (423.65) |
| | **Net cash flow generated from operating activities (A)** | **2,751.30** | 11,207.44 |
| **B.** | **Cash flow from Investing Activities** | | |
| | Purchase of property, plant and equipment | **(27.18)** | (17.54) |
| | Interest received | **26.81** | 17.09 |
| | Proceeds from maturing of fixed deposits (margin money) | **(0.36)** | — |
| | **Net cash used in investing activities (B)** | **(0.73)** | (0.45) |
| **C.** | **Cash flow from financing activities** | | |
| | Repayment of short-term borrowings | **(15,032.82)** | (12,012.22) |
| | Proceeds from short-term borrowings | **10,000.00** | 10,000.00 |
| | Proceeds from issue of Equity Share capital | **15,000.00** | — |
| | Repayment of redeemable preference share capital | **(12,700.00)** | — |
| | Share issue expenses | **(151.30)** | — |
| | Interest paid | **(345.79)** | (843.59) |
| | **Net cash used in financing activities (C)** | **(3,229.91)** | (2,855.82) |
| | **Net increase in cash and cash equivalents (A+B+C)** | **(479.34)** | 8,351.17 |
| | Cash and cash equivalents at the beginning of the year | **705.20** | 1.11 |
| • | **Cash and cash equivalents at the end of the year (Refer Note 11)** | **838.97** | 705.20 |
| • | **Components of Cash and cash equivalents** | | |
| | Balances with bank in current account (Refer Note 11) | **838.97** | 705.20 |

Notes:

(1) Figures in bracket indicate outflow.

(2) The Cash Flow Statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS) 7 "Statement of Cash flows".

(3) The change in liability arising from financing activities is disclosed in Note 15B.

(4) During the previous year, the Company acquired the solar business from Tata International Limited with effect from 1st July, 2019 in accordance with terms of asset transfer agreement and did not involve any cash outflow. Therefore, this is considered as a non cash activity for the previous year (Refer Note 40).

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date
For **S R B C & CO LLP**
(ICAI Firm Registration No. 324982E/E300003)
*Chartered Accountants*

Dolphy D'Souza
Partner
Membership No. 38730

*Mumbai, 28th April, 2021*

For and on behalf of the Board of Directors

*Chairman* **Anil George** (DIN: 00590939)
*Managing Director* **Pradeep Bakshi** (DIN: 02940277)
*Chief Financial Officer* **Viral Sarvaiya**
*Company Secretary* **Vishal Totla**

*Mumbai, 28th April, 2021*

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021

### 1A. CORPORATE INFORMATION

Universal MEP & Engineering Services Limited (formerly known as Rohini Industrial Electricals Limited) (the "Company") is a public limited company incorporated in India. The registered office address of the Company is Voltas House 'A', Dr. Babasaheb Ambedkar Road, Chinchpokli, Mumbai 400033.

The Company is a wholly owned subsidiary of Voltas Limited and is predominately engaged in the business of Engineering, Procurement and Construction relating to projects of rural electrification and distribution, power augmentation and separation, substations and industrial electrification, solar projects, electro-mechanical projects etc. including supply of materials.

The financial statements for the year ended 31st March, 2021 were approved by the Board of Directors and authorised for issue on 28th April, 2021.

### 1B. BASIS OF PREPARATION

The Ind AS financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013 (as amended), (Ind AS compliant Schedule III).

The financial statements have been prepared on an accrual basis and under the historical cost convention except for certain financial assets and liabilities that are measured at fair value (refer accounting policy regarding financial instruments).

The accounting policies adopted for preparation and presentation of financial statement have been consistent with the previous year except for the changes in the accounting policy for amendments to the standards that were issued by the MCA, effective for annual period beginning from on or after 1st April, 2020 (Refer Note 2A for details).

The financial statements are presented in INR and all values are rounded to the nearest lakhs, except when otherwise indicated.

### 1C. USE OF ESTIMATES AND JUDGEMENTS:

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 3.

### 2. SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these Ind AS financial statements. These policies have been consistently applied to all the years presented.

#### (A) REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3 below.

(a) Revenue from Construction contracts

Performance obligation in case of revenue from long - term construction contracts is satisfied over the period of time, since the Company creates an asset that the customer controls as the asset is created and the Company has an enforceable right to payment for performance completed to date if it meets the agreed specifications.

Revenue from long term construction contracts, where the outcome can be estimated reliably and 20% of the project cost is incurred, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity.

The outcome of a construction contract is considered as estimated reliably when the stage of completion of the project reaches a reasonable level of completion i.e. the expenditure incurred on construction costs is at least 20 % of the construction costs and it is reasonably expected that the counterparty will comply with the payment terms in the agreements.

The stage of completion is measured by input method i.e. the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss immediately.

Contract revenue earned in excess of billing is reflected under as "contract asset" and billing in excess of contract revenue is reflected under "contract liabilities". Retention money receivable from project customers does not contain any significant financing element, these are retained for satisfactory performance of contract.

In case of long - term construction contracts payment is generally due upon completion of milestone as per terms of contract. In certain contracts, short-term advances are received before the performance obligation is satisfied.

(b) Interest Income

Interest income is recognised using the effective interest method.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**(B) CONTRACT BALANCES**

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

The amount recognised as contract assets is reclassified to trade receivables once the amounts are billed to the customer as per the conditions of the contract. Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section (L) Impairment.

**Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (K) Financial instruments – initial recognition and subsequent measurement.

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**(C) FAIR VALUE MEASUREMENT**

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 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 Company 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 recognised in the financial statements on a recurring basis, the Company 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.

**(D) EMPLOYEE BENEFITS**

(a) **Retirement benefits costs and termination benefits**

**(i) Defined Contribution Plans**

Payments to defined benefit contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Company operates following defined contribution plans:

Provident and Pension Fund: The eligible employees of the Company are entitled to receive benefits under provident fund schemes which are in substance, defined contribution plans, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary). The contributions are paid to the respective Regional Provident Fund Commissioner and the Central Provident Fund under the State Pension scheme. The Company is generally liable for annual contributions.

**(D) EMPLOYEE BENEFITS (contd.)**

**(ii) Defined Benefit Plans**

The Company's liabilities towards gratuity is determined using the projected unit credit method, with actuarial valuation being carried out at the end of each annual reporting period.

Re-measurement, comprising actuarial gains and losses and the return on plan assets (excluding net interest), is reflected immediately in the Balance Sheet with a charge or credit recognised in other comprehensive income in the period in which they occur.

Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Re-measurement.

The Company presents the first two components of defined benefit costs in statement of profit and loss in the line item "Employee Benefits Expenses". Curtailment gains and losses are accounted for as past service costs.

The defined benefit obligation recognised in the Balance Sheet represents the actual deficit or surplus in the Company's defined benefit plans.

Termination benefits are recognised as an expense in the statement of profit and loss and a liability is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(b) **Short term and other long-term employee benefits**

Benefits accruing to employees in respect of wages, salaries and compensated absences and which are expected to be availed within twelve months immediately following the year end are reported as expenses during the year in which the employee performs the service that the benefit covers and the liabilities are reported at the undiscounted amount of the benefit expected to be paid in exchange of related service. Where the availment or encashment is otherwise not expected to wholly occur within the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method at the present value of the estimated future cash flow expected to be made by the Company in respect of services provided by employees up to the reporting date.

**(E) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less depreciation and impairment losses, if any. The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable taxes and any directly attributable cost of bringing an asset to working condition and location for its intended use.

Projects under which the property, plant and equipment is not yet ready for their intended use are carried as capital work in progress at cost determined as aforesaid.

Depreciable amount for assets is the cost of an asset, less its estimated residual value. Depreciation is recognised so as to write off the depreciable amount of assets (other than freehold land and assets under construction) over the useful lives using the straight-line method. The estimated useful lives are as follows:

| **Assets** | **Useful life** |
|---|---|
| Plant and Equipment | 8-15 years |
| Office Equipment | 3-15 years |
| Furniture and fixtures | 10 years |
| Vehicles | 8 years |

The useful life as estimated above is aligned to the prescribed useful life specified under Schedule II of the Companies Act, 2013.

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.

**(F) INTANGIBLE ASSETS**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment, if any.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful life of software considered is 5 years.

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

### (G) FOREIGN CURRENCY

The Company's financial statements are presented in INR, which is also the Company's functional currency.

Income and expenses in foreign currencies are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date and exchange gains and losses arising on settlement and restatement are recognised in the Statement of Profit and Loss.

Non-monetary items denominated in a foreign currency are measured at historical cost and translated at exchange rate prevalent at the date of transaction.

### (H) LEASES

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (L) Impairment of non-financial assets.

(ii) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### (I) TAXES ON INCOME

**Current Income Tax**

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with Income-tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised 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.

**(I) TAXES ON INCOME (contd.)**

**Deferred Tax**

Deferred Tax is provided using the Balance Sheet approach 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 assets are recognised 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.

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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit and Loss. 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. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. 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**

According to section 115JAA of the Income-tax Act, 1961, Minimum Alternative Tax (MAT) paid over and above the normal income tax in a subject year is eligible for carry forward for fifteen succeeding assessment years for set- off against normal income tax liability. The MAT credit asset is assessed against the Company's normal income tax during the specified period.

**(J) Provisions and Contingencies**

**Provisions**

Provisions are recognised in the statement of profit and loss when there is a present obligation (legal or constructive) as a result of past event, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Warranty (Trade Guarantees)**

The estimated liability for warranty is recorded when the project is completed. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and Management estimates regarding possible future incidence based on corrective actions and is reviewed annually. The timing of outflows will vary as and when warranty claims arise.

**Contingencies**

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required or the amount cannot be reliably estimated. Contingent liabilities are appropriately disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**(K) FINANCIAL INSTRUMENTS**

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.

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

**Financial Assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**(K) FINANCIAL INSTRUMENTS (contd.)**

or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115. Refer to the accounting policies in section (A) Revenue from contracts with customers and (B) Contract Balances.

**Subsequent measurement**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

- **Financial assets at amortised cost**

  Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold assets for collecting contractual cash flows and 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. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised 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 amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade receivables, loans and other financial assets.

- **De-recognition**

  The Company de-recognises a financial asset when the rights to receive cash flows from the asset have expired or it transfers the right to receive the contractual cash flow on the financial assets in a transaction in which substantially all the risk and rewards of ownership of the financial assets are transferred or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Financial liabilities**

**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, as appropriate.

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

- **Classification as debt or equity**

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

- **Equity instruments**

  An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by entity are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- **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 Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

  Gains or losses on liabilities held for trading are recognised in the Statement of Profit and 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/ losses are not subsequently transferred to Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Company has not designated any financial liability as at fair value through profit and loss.

**(K) FINANCIAL INSTRUMENTS (contd.)**

- **Financial liabilities at amortised cost**

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit and Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

  Amortised 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 amortisation is included as finance costs in the Statement of Profit and Loss.

- **De-recognition**

  A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

- **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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

- **Reclassification of financial instrument**

  The Company 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 Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company 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 Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**(L) IMPAIRMENT**

(a) Financial assets and contract assets

The Company assessed the expected credit losses associated with its assets carried at amortised cost and fair value through other comprehensive income based on the Company's past history of recovery, credit worthiness of the counter party and existing and future market conditions.

For all financial assets other than trade receivables and contract assets, expected credit losses are measured at an amount equal to the 12-month expected credit loss (ECL) unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. For trade receivables and contract assets, the Company has applied the simplified approach for recognition of impairment allowance as provided in Ind AS 109 which requires the expected lifetime losses from initial recognition of the receivables and contract assets.

The application of simplified approach does not require the Company 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.

(b) Non-financial assets

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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 fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses, including impairment on inventories, are recognised in the Statement of Profit and Loss.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit and Loss.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**(M) CASH AND CASH EQUIVALENT**

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.

**(N) EARNING PER SHARE (EPS)**

Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

**(O) SEGMENT REPORTING**

Segments are identified based on the manner in which the chief operating decision-maker (CODM) decides about the resource allocation and reviews performance. The Board of Director has been identified as the CODM.

The Company is engaged solely in the business of Engineering, Procurement and Construction relating to projects of rural electrification and distribution, power augmentation and separation, substations and industrial electrification, solar projects etc including supply of materials which constitute its only business and primary segment.

**(P) 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. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**(Q) INVENTORY**

Inventories are valued at cost or net realisable value, whichever is lower. Cost being worked out determined based on weighted average basis. Cost includes all charges incurred for bringing the goods to their present location and condition are accounted as follows:

- Raw materials and traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**(R) BUSINESS COMBINATION**

Business combinations are accounted for using the acquisition method. The cost of an acquisition 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 Company 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.

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

- Deferred tax assets or liabilities, and the liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are accounted in accordance with Ind AS 12.
- 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.
- 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.
- 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 Company 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.

**(R) BUSINESS COMBINATION (contd.)**

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 recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised 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 recognised in profit or loss in accordance with Ind AS 109. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS and shall be recognised in profit or loss. 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 recognised 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 recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised 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.

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 recognised in profit or loss. An impairment loss recognised 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.

**(S) DIVIDEND**

Provision is made for the amount of any final dividend declared, being appropriately authorised in Annual General Meeting and no longer at the discretion of the Company.

**(T) OPERATING CYCLE**

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. Operating cycle for the business activities of the Company covers the duration of the specific project/contract that usually exceeds one year. Accordingly, assets and liabilities related to these project/contracts, which will not be realised/paid within one year, have been classified as current.

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- 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 treated as current when:

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

The Company classifies all other liabilities as non-current.

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

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**2A. CHANGES IN ACCOUNTING POLICY**

**New and amended standards**

**Amendments to Ind AS 116: Covid-19-Related Rent Concessions.**

The amendments provide relief to lessees from applying Ind AS 116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under Ind AS 116, if the change were not a lease modification.

The amendments are applicable for annual reporting periods beginning on or after the 1st April, 2020. This amendment had no impact on the financial statements of the Company.

**Amendments to Ind AS 1 and Ind AS 8: Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements the Company.

**Amendments to Ind AS 107 and Ind AS 109: Interest Rate Benchmark Reform**

The amendments to Ind AS 109 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

The amendments to Ind AS 107 prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in Ind AS 109 are applied. These amendments are applicable for annual periods beginning on or after the 1st April, 2020. These amendments are not expected to have a significant impact on the Company's financial statements.

**Recent Pronouncements issued but not yet effective**

The amendments to standards and disclosure requirements that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards and disclosure requirements, if applicable when they become effective.

**Amendments to Schedule III of Companies Act, 2013 (as amended)**

The Ministry of Corporate Affairs ("MCA") through a notification dated 24th March, 2021, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 1st April, 2020. The key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

**Balance Sheet:**

- Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of Promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of Company, loans and advances to Promoters, Directors, Key Managerial Personnel (KMP) and related parties, details of benami property held etc.

**Statement of Profit and Loss:**

- Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the financial statements.

The amendments are extensive, and the Company will evaluate the same to give effect to them as required by law.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies, which are described in Note 2, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Key sources of estimation uncertainty**

The following are 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 amount of assets and liabilities within the next financial year.

**Construction contracts**

**Cost to complete**

Management estimates the costs to complete for each project for the purpose of revenue recognition and recognition of anticipated losses on projects, if any. In the process of calculating the cost to complete, Management conducts regular and systematic reviews of actual results and future projections with comparison against budget. This process requires monitoring controls including financial and operational controls and identifying major risks facing the Company and developing and implementing initiatives to manage those risks.

**Percentage of completion**

Management's estimate of the percentage of completion on each project for the purpose of revenue recognition is through conducting some weight analysis to assess the actual quantity of the work for each activity performed during the reporting period and estimate any future costs for comparison against the initial project budget. This process requires monitoring of financial and operational controls. Management is of the opinion that the percentage of completion of the projects is fairly estimated.

As required by Ind AS 115 in applying the percentage of completion on its long-term projects, the Company is required to recognise any anticipated losses on it contracts.

**Impairment of financial assets**

The Company's Management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the Statement of Profit and Loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty. Details of impairment provision on trade receivable and contract assets are given in Note 10 and Note 12.

**Litigations**

From time to time, the Company is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the loss can be reasonably estimated. Significant judgement is made when evaluating, among other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each Balance Sheet date and revisions made for the changes in facts and circumstances. Provision for litigations and contingent liabilities are disclosed in Note 28.

**Defined benefit plans**

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. 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. All assumptions are reviewed at each Balance Sheet date and disclosed in Note 33.

**Useful lives of property, plant and equipment and intangible assets**

The Company has estimated useful life of each class of assets based on the nature of assets, the estimated usage of the asset, the operating condition of the asset, past history of replacement, anticipated technological changes, etc. The Company reviews the useful life of property, plant and equipment and intangible assets as at the end of each reporting period. This re-assessment may result in change in depreciation and amortisation expense in future periods.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**4. Property, plant and equipment (Owned, unless otherwise stated) and Intangible assets**

₹ In Lakhs

| | Plant and Equipment | Furniture and Fixtures | Office Equipment | Vehicles | Total | Intangible Asset (Software) | Grand Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | |
| As at 1st April, 2019 | 47.01 | 12.53 | 104.60 | 18.42 | 182.57 | 58.39 | 240.96 |
| Additions | — | 5.92 | 11.81 | — | 17.74 | — | 17.74 |
| Acquisition of Solar business (Refer Note 40) | — | — | 1.06 | — | 1.06 | — | 1.06 |
| Disposals/transfer | | (0.27) | (22.68) | — | (22.96) | — | (22.96) |
| As at 31st March, 2020 | 47.01 | 18.18 | 94.79 | 18.42 | 178.41 | 58.39 | 236.80 |
| Gross carrying amount | | | | | | | |
| As at 1st April, 2020 | 47.01 | 18.18 | 94.79 | 18.42 | 178.41 | 58.39 | 236.80 |
| Additions | 0.48 | 13.67 | 13.03 | — | 27.18 | — | 27.18 |
| Disposals/transfer | — | — | — | — | — | — | — |
| **As at 31st March, 2021** | **47.49** | **31.85** | **107.82** | **18.42** | **205.59** | **58.39** | **263.98** |
| **Accumulated Depreciation** | | | | | | | |
| As at 1st April, 2019 | 19.43 | 3.85 | 47.11 | 17.54 | 87.93 | 52.38 | 140.32 |
| Charge for the year | 4.60 | 5.19 | 27.28 | 0.02 | 37.09 | 0.94 | 38.03 |
| Disposals/transfer | — | (0.27) | (21.53) | — | (21.80) | — | (21.80) |
| As at 31st March, 2020 | 24.03 | 8.77 | 52.86 | 17.56 | 103.22 | 53.32 | 156.54 |
| Accumulated Depreciation | | | | | | | |
| As at 1st April, 2020 | 24.03 | 8.77 | 52.86 | 17.56 | 103.22 | 53.32 | 156.54 |
| Charge for the year | 5.12 | 2.06 | 22.84 | — | 30.02 | 0.94 | 30.96 |
| Disposals/transfer | — | — | — | — | — | — | — |
| **As at 31st March, 2021** | **29.15** | **10.83** | **75.70** | **17.56** | **133.24** | **54.26** | **187.50** |
| Net carrying amount as at March 31, 2020 | 22.98 | 9.41 | 41.93 | 0.86 | 75.19 | 5.07 | 80.26 |
| **Net carrying amount as at 31st March, 2021** | **18.34** | **21.02** | **32.12** | **0.86** | **72.35** | **4.13** | **76.48** |

Note : The above assets are hypothecated and mortgaged against the secured borrowings of the Company (Refer Note 15).

**5. Other financial assets (At amortised cost)**

| | | **₹ in Lakhs** | As at 31-3-2020 ₹ in Lakhs |
|---|---|---|---|
| **(A)** | **Non-current** | | |
| | Deposits (Credit impaired) | **59.82** | 59.56 |
| | Less : Impairment allowance (Credit impaired) | **(59.82)** | (59.56) |
| | Balance held as margin money with bank * | **10.54** | 10.18 |
| | | **10.54** | 10.18 |
| | * The balances are lien marked and thus classified as non-current | | |
| **(B)** | **Current (Unsecured, Considered good)** | | |
| | Other receivables and deposits(Unsecured, Considered good) | **24.40** | 17.27 |
| | Claims receivable from customer | **203.25** | 417.15 |
| | Less: Allowance for other claim receivable | **(32.61)** | (32.61) |
| | | **195.04** | 401.81 |

Note: The above assets have been pledged as security against bank borrowings, the details relating to which have been described in Note 15.

Footnote: Claims receivable from customer includes receivable from holding company of ₹ 28.12 lakhs (March 2020 : ₹ 172.71 lakhs).

**6. Income tax assets (Net)**

| | | As at 31-3-2020 |
|---|---|---|
| | **₹ in Lakhs** | ₹ in Lakhs |
| Advance income tax (Net) | — | 291.93 |
| | — | 291.93 |

**7. Deferred tax assets (Net)**

| | | As at 31-3-2020 |
|---|---|---|
| | **₹ in Lakhs** | ₹ in Lakhs |
| MAT Credit entitlement | **1,357.55** | 890.77 |
| Deferred Tax Assets | **2,182.88** | 3,040.41 |
| | **3,540.43** | 3,931.18 |

**8. Other assets (Unsecured, considered good unless otherwise stated)**

| | | As at 31-3-2020 |
|---|---|---|
| | **₹ in Lakhs** | ₹ in Lakhs |
| **(A) Non-current** | | |
| Advance to suppliers (Credit impaired) | **25.37** | 25.11 |
| Advances to employees (Credit impaired) | **34.79** | 34.54 |
| Less : Impairment allowance (Credit impaired) | **(60.16)** | (59.65) |
| Deposits for tax and other statutory dues | **822.93** | 864.65 |
| | **822.93** | 864.65 |
| **(B) Current** | | |
| Advance to suppliers | **1,003.71** | 284.06 |
| Advances to employees | **9.46** | 11.89 |
| Balance with statutory and government authorities | **3,029.51** | 1,183.56 |
| Prepaid expenses | **90.54** | 25.16 |
| Gratuity fund (Refer Note 33) | **1.24** | — |
| Other | **10.00** | 10.67 |
| | **4,144.46** | 1,515.34 |

Note: The above assets have been pledged as security against bank borrowings, the details relating to which have been described in Note 15.

**9. Inventory (At cost or net realisable value whichever is less)****

| | | As at 31-3-2020 |
|---|---|---|
| | **₹ in Lakhs** | ₹ in Lakhs |
| (a) Raw material | **47.63** | 76.42 |
| (b) Finished goods | **23.62** | 29.40 |
| | **71.25** | 105.82 |

** Entire Inventory is lying with the sub contractors for which the Company has received confirmations as at reporting date.

Note: The above assets have been pledged as security against bank borrowings, the details relating to which have been described in Note 15.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

### 10. Trade Receivables (Unsecured)

| | ₹ in Lakhs | As at 31-3-2020 ₹ in Lakhs |
|---|---|---|
| Trade receivables | **11,800.07** | 14,800.60 |
| Less: Impairment Allowance | **3,516.99** | 3,823.54 |
| **Net Trade Receivables** | **8,283.08** | 10,977.06 |

**Footnotes:**

(1) Trade Receivables — breakup of security details

| | ₹ in Lakhs | As at 31-3-2020 ₹ in Lakhs |
|---|---|---|
| (i) Trade Receivable — considered good | **10,118.73** | 12,675.22 |
| (ii) Trade Receivables — credit impaired | **1,681.34** | 2,125.38 |
| | **11,800.07** | 14,800.60 |
| Less : Impairment allowance | **3,516.99** | 3,823.54 |
| | **8,283.08** | 10,977.06 |

(2) Gross receivable includes receivable from holding company of ₹ 4,122.21 lakhs (March 2020 : ₹ 9,324.23 lakhs).

(3) Trade receivables are non interest bearing and are generally on terms of 30 days in case of receivable from holding company. For third party customers, payment is generally on completion of milestones as per terms of contracts.

(4) No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

(5) Trade receivables have been pledged as security against bank borrowings, the details relating to which have been described in Note 15.

### 11. Cash and Cash equivalents

| | ₹ in Lakhs | As at 31-3-2020 ₹ in Lakhs |
|---|---|---|
| Balances with bank in current account | **838.97** | 705.20 |
| | **838.97** | 705.20 |

### 12. Contract assets (Unsecured)

| | ₹ In Lakhs | As at 31-3-2020 ₹ in Lakhs |
|---|---|---|
| Amount due from customers under construction contracts | **15,554.94** | 11,137.41 |
| Less: Impairment Allowance | **(527.47)** | (345.88) |
| | **15,027.47** | 10,791.53 |

**Footnotes:**

(1) Contract assets - breakup of security details

| | ₹ In Lakhs | As at 31-3-2020 ₹ in Lakhs |
|---|---|---|
| (i) Contract assets - unsecured, considered good | **15,546.09** | 11,137.41 |
| (ii) Contract assets - unsecured, credit impaired | **8.84** | — |
| | **15,554.94** | 11,137.41 |
| Less: Impairment Allowance | **(527.47)** | (345.88) |
| | **15,027.47** | 10,791.53 |

(2) Gross amount due from customers under construction contracts includes receivable from holding company of ₹ 10,310.26 lakhs (March 2020 : ₹ 9,895.39 lakhs).

(3) Contract assets are initially recognised for revenue earned from construction contract as receipt of consideration is conditional on successful completion of project milestone. Upon completion of milestone and acceptance/certification by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

**12. Contract assets (Unsecured) (contd.)**

(4) The Company has used a practical expedient by computing the ECL allowance for trade receivables and contract assets based on a provision matrix. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates based on terms of contract with holding company/ customer.

(5) At 31st March, 2021, contract assets balances have increased as compared to 31st March, 2020 on account of delay in certification of work by the customers.

| | **₹ In Lakhs** | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| (6) **Movement in expected credit loss allowance on trade receivable and contract assets** | | |
| Balance at the beginning of the year | **4,169.42** | 3,178.80 |
| Add : Addition on account of solar business (Refer Note 40) | — | 730.46 |
| Add : Allowance during the year (Refer Note 26) | **433.89** | 260.16 |
| Less: Adjustment on account of collection from impaired solar business receivable | **(558.86)** | — |
| **Balance at the end of the year** | **4,044.45** | 4,169.42 |

(7) Contract assets have been pledged as security against bank borrowings, the details relating to which have been described in Note 15.

**13. Equity share capital**

| | **₹ In Lakhs** | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| **Authorised Share Capital** | | |
| 17,50,00,000 (31st March, 2020 : 50,00,000) equity shares of ₹ 10 each | **17,500.00** | 500.00 |
| | **17,500.00** | 500.00 |
| **Issued, subscribed and paid up shares** | | |
| 15,18,25,782 (31st March, 2020 : 18,25,782) equity shares of ₹ 10 each | **15,182.58** | 182.58 |
| | **15,182.58** | 182.58 |

**Footnotes:**

(i) The Company has one class of Equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share. In the event of liquidation of the Company, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by shareholders.

(ii) The Board of Directors at their meeting held on 2nd December, 2020 authorised the Rights issue for cash at par aggregating to ₹ 15,000 lakhs in the ratio of 15,00,00,000 Equity shares of ₹ 10 each for 18,25,782 existing Equity shares of ₹10 each to the shareholder of the Company. Pursuant to realisation of share application money, the Company has issued and allotted 15,00,00,000 Equity shares of ₹ 10 each to Voltas Limited on 5th January, 2021.

(iii) Reconciliation of the shares outstanding at the beginning and at the end of the year.

| | **No. of Shares** | **₹ In Lakhs** |
|---|---|---|
| As at the beginning of the year | **18,25,782** | **182.58** |
| Add: Issue of Equity share capital | **15,00,00,000** | **15,000.00** |
| As at the end of the year | **15,18,25,782** | **15,182.58** |
| | As at 31st March, 2020 | |
| As at the beginning of the year | 18,25,782 | 182.58 |
| As at the end of the year | 18,25,782 | 182.58 |

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**13. Equity share capital (contd.)**

(iv) Details of shares held by holding company and shareholders holding more than 5% shares in the Company.

| | **As at 31st March, 2021** | |
|---|---|---|
| | **No. of Shares** | **% of Holding** |
| **Equity shares of ₹ 10 each fully paid** | | |
| Voltas Limited (holding company) | **15,18,25,782** | 100 |
| | As at 31st March, 2020 | |
| Equity shares of ₹ 10 each fully paid | | |
| Voltas Limited (holding company) | 18,25,782 | 100 |

(v) As per records of the Company, no calls remained unpaid by the Director and Officers of the Company as on 31st March, 2021 (31st March, 2020 : Nil)

**14. Other equity**

| | | **₹ In Lakhs** | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|---|
| (a) | General Reserve | **2,053.76** | 2,053.76 |
| (b) | Securities premium | **341.13** | 492.43 |
| (c) | Additional capital contribution | **4,053.99** | 8,244.08 |
| (d) | Retained earnings | **(7,104.48)** | (8,090.15) |
| | | **(655.60)** | 2,700.12 |

Movement in other Equity

| | | | |
|---|---|---|---|
| **(a)** | **General Reserve** | | |
| | Balance at the beginning and at the end of the year | **2,053.76** | 2,053.76 |
| **(b)** | **Securities premium** | | |
| | Balance at the beginning of the year | **492.43** | 492.43 |
| | Less: Share issue expenses | **(151.30)** | — |
| | Balance at the end of the year | **341.13** | 492.43 |
| **(c)** | **Additional capital contribution** | | |
| | Balance at the beginning of the year | **8,244.08** | 8,244.08 |
| | Adjustment of equity component of liability on repayment of preference share capital (recognised as per Ind AS 109) | **(4,190.09)** | — |
| | Balance at the end of the year | **4,053.99** | 8,244.08 |
| **(d)** | **Retained earnings** | | |
| | Balance at the beginning of the year | **(8,090.15)** | (8,903.11) |
| | Net Profit for the year | **972.35** | 813.63 |
| | Remeasurement of post employment benefit obligation | **13.33** | (0.67) |
| | Balance at the end of the year | **(7,104.48)** | (8,090.15) |

**Footnotes: Nature and purpose of reserves**

**(a) General Reserve**

General Reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the General Reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the General Reserve will not be reclassified subsequently to statement of profit and loss.

**(b) Securities Premium**

Securities Premium represents amount received in excess of face value of shares, at the time of issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

**14. Other equity(contd.)**

**(c) Additional capital contribution**

The Company had issued 0.01% Cumulative Redeemable Preference Shares ('CRPS') aggregating ₹ 12,700 lakhs (₹ 2,500 lakhs in 2011-12, ₹ 3,700 lakhs in 2012-13 and ₹ 6,500 lakhs in 2016-17), for a period of 7 years.

During financial year 2019, the Company on approval of preference shareholder had modified redemption period for CRPS issued in 2010-11 and 2012-13 by further 7 years from the date of its original repayment date. The liability was accounted at amortised cost and the difference between the liability and the amortised cost amounting to ₹ 8,244.08 lakhs is included as additional capital contribution and disclosed under "Other Equity".

During the current year, the Board of Directors at their meeting held on 2nd December, 2020 authorised the early redemption of 0.01% CRPS from the proceeds of Rights issue offered by the Company which was agreed by the preference shareholder. Based on the realisation of share application money from Rights issue of Equity shares, 0.01% CRPS are redeemed by the Company at par for ₹ 12,700 lakhs. The difference between the carrying value of CRPS liability of ₹ 8,510 lakhs and redemption amount of ₹ 12,700 lakhs amounting to ₹ 4,190 lakhs is adjusted in Other Equity.

**(d) Retained earnings**

The balance in the Retained Earnings primarily represents the deficit/profit of over the years.

**15. Borrowing (At Amortised cost)**

| | | As at 31-3-2020 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| **(A) Non-Current** | | |
| 0.01% CRPS [to holding company - Refer footnote (i)] | — | 7,920.53 |
| | — | 7,920.53 |
| **(B) Current** | | |
| Loans repayable on demand from bank - working capital loans from banks [Refer footnote (ii)] | — | 5,032.82 |
| Loans repayable on demand from bank - overdrafts [Refer footnote (ii)] | — | - |
| | — | 5,032.82 |

**Footnotes:**

**(i) Redeemable preference shares**

The Company had issued 0.01% CRPS aggregating ₹ 12,700 lakhs (₹ 2,500 lakhs in 2011-12 , ₹ 3,700 lakhs in 2012-13 and ₹ 6,500 lakhs in 2016-17), for a period of 7 years. During financial year 2019, the Company on approval of preference shareholder had modified redemption period for CRPS issued in 2010-11 and 2012-13 by further 7 years from the date of its original repayment date. The liability was accounted at amortised cost and the difference between the liability and the amortised cost amounting to ₹ 8,244.08 lakhs is included as additional capital contribution and disclosed under "Other Equity".

During the current year, the Board of Directors at their meeting held on 2nd December, 2020 authorised the early redemption of 0.01% CRPS from the proceeds of Rights issue offered by the Company which was agreed by the preference shareholder. Based on the realisation of share application money from Rights issue of Equity shares, 0.01% CRPS are redeemed by the Company at par for ₹ 12,700 lakhs. The difference between the carrying value of preference share liability of ₹ 8,510 lakhs and redemption amount of ₹ 12,700 lakhs amounting to ₹ 4,190 lakhs is adjusted in Other Equity.

**(ii) Loans repayable on demand**

The Company has obtained the following credit facilities from bank aggregating to ₹ 65,000 lakhs (including fund based ₹ 35,000 lakhs and non fund based limits ₹ 30,000 lakhs) (Previous year: fund based ₹ 35,000 lakhs and non fund based limits ₹ 30,000 lakhs) which are repayable on demand.

The credit facilities are utilised to the extent of ₹ 24,828.88 lakhs (fund based ₹ Nil and non fund based ₹ 24,828.88 lakhs) (Previous year: fund based ₹ 5,032.82 lakhs and non fund based ₹ 8,213.12 lakhs).

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**15. Borrowing (At Amortised cost) (contd.)**

| | **₹ In Lakhs** | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| **Break-up of the facilities** | | |
| Overdraft facility from ICICI Bank Limited (Effective interest rate 7.05%) | | |
| Sanction Amounts | | |
| — Fund based | **15,000.00** | 15,000.00 |
| — Non-fund based | **30,000.00** | 30,000.00 |
| Utilised Amounts | | |
| — Fund based | **—** | — |
| — Non-fund based | **24,828.88** | 8,213.12 |
| Working capital demand loan facility from Kotak Mahindra Bank Limited (Effective interest rate in range of 5.10% to 7.75%) | | |
| Sanction Amounts | | |
| — Fund based | **20,000.00** | 20,000.00 |
| — Non-fund based | **—** | — |
| Utilised Amounts | | |
| — Fund based | **—** | 5,032.82 |
| — Non-fund based | **—** | — |

Notes:

(a) The above facilities of ICICI Bank Limited are is secured by way of charge on the moveable property, plant and equipment and financial and non-financial assets of the Company.

(b) Both the above facilities are also secured by a corporate guarantee issued by the Voltas Limited (holding company) in favour of the respective banks.

**16. Provisions**

| | **₹ In Lakhs** | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| **Non-Current** | | |
| Provision for compensated absences | **18.21** | 22.48 |
| | **18.21** | 22.48 |

**17. Provisions**

| | **₹ In Lakhs** | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| **Current** | | |
| Gratuity (Refer Note 33) | **—** | 20.49 |
| Provision for compensated absences | **5.30** | 4.65 |
| Provision for pending sales tax forms | **149.38** | 139.74 |
| | **154.68** | 164.88 |

**18. Other current liabilities**

| | **₹ In Lakhs** | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| Statutory dues (withholding taxes, GST, etc.) | **41.11** | 596.80 |
| Other Current Liabilities | **0.82** | 0.82 |
| | **41.93** | 597.62 |

**19. Contract Liabilities**

| | ₹ In Lakhs | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| Amount due to customers under construction contracts | **1,403.40** | 560.10 |
| Advance received from customers | **202.99** | 44.35 |
| | **1,606.39** | 604.45 |

**Footnote:**

(i) Amount due to customers under construction contracts includes amounts to holding company of ₹ 769.58 lakhs (March 2020 : ₹ 448.33 lakhs).

(ii) The outstanding balances of the contract liabilities as at 31st March, 2021 are higher on account of billing done as per the terms of contracts in new projects.

**20. Current tax liabilities**

| | ₹ In Lakhs | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| Current tax liabilities (net) | **225.35** | — |

**21. Revenue from operations**

| | ₹ In Lakhs | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|
| **(A) Revenue from Contracts with customers:** | | |
| Construction contract revenue | **32,216.69** | 45,124.37 |
| **(B) Other operating revenue:** | | |
| Unclaimed credit balances written back | **60.37** | 166.43 |
| Sale of scrap | **52.96** | 7.93 |
| | **32,330.02** | 45,298.73 |

**22. Other income**

| | ₹ In Lakhs | 2019-20 ₹ In Lakhs |
|---|---|---|
| **Interest Income on:** | | |
| Income tax refund | **19.06** | 16.49 |
| On deposits with banks | **7.75** | 0.60 |
| | **26.81** | 17.09 |

**23. (Increase)/descrease in inventories of finished goods**

| | ₹ In Lakhs | 2019-20 ₹ In Lakhs |
|---|---|---|
| Finished goods at the end of the year (Refer Note 9 and Note 40) | **23.62** | 29.40 |
| Finished Goods at the beginning of the year | **(29.40)** | — |
| | **(5.78)** | (29.40) |

**24. Employee benefits expense**

| | ₹ In Lakhs | 2019-20 ₹ In Lakhs |
|---|---|---|
| Salaries, wages and bonus | **1,938.32** | 2,529.01 |
| Company's contribution to provident and other funds (Refer Note 28) | **66.39** | 84.76 |
| Gratuity expense (Refer Note 33) | **19.18** | 16.38 |
| Staff welfare expenses | **37.76** | 60.70 |
| | **2,061.65** | 2,690.85 |

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

### 25. Finance costs

| | | 2019-20 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| Interest expense on preference shares | **589.38** | 720.01 |
| Interest expense - bank borrowings and others | **345.79** | 843.59 |
| Interest on Income tax | **10.50** | — |
| | **945.67** | 1,563.60 |

### 26. Other expenses

| | | 2019-20 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| Outside service charges | **699.03** | 340.81 |
| Travelling and conveyance | **49.48** | 124.55 |
| Insurance charges | **279.54** | 59.47 |
| Rates and taxes | **30.79** | 23.14 |
| Rent | **199.29** | 188.87 |
| Printing and stationery | **19.69** | 25.03 |
| Legal and professional charges | **73.08** | 66.32 |
| Payment to statutory auditors (Refer Note 27) | **25.10** | 25.43 |
| Power and fuel | **17.05** | 20.63 |
| Expected credit loss for trade receivable and contract assets (Refer Note 13) | **433.89** | 260.16 |
| Allowance for doubtful debts and advances | **0.77** | 12.89 |
| Property, plant and equipment written off | **—** | 1.15 |
| Hire charges | **333.60** | 310.92 |
| Provision for pending sales tax forms (Refer Note 18) | **9.65** | 59.29 |
| Bank charges | **105.10** | 57.32 |
| Miscellaneous expenses | **101.38** | 125.05 |
| | **2,377.44** | 1,701.03 |

### 27. Payment to auditors

| | | 2019-1920 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| To statutory auditors for: | | |
| (i) Audit Fees (including tax audit fees) | **25.00** | 23.25 |
| (ii) Other services | **—** | 0.55 |
| (ii) Reimbursement of expenses | **0.10** | 1.63 |
| | **25.10** | 25.43 |

### 28. Commitments and Contingencies

| | | As at 31-3-2020 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| (a) Claims against the Company not acknowledged as debts : | | |
| Contractual matters in the course of business (in respect of cases filed by Vendors) | **64.15** | 64.15 |
| Taxes, Cess and Duties* | **1,406.11** | 1,670.81 |
| | **1,470.26** | 1,734.96 |

* All the assessments of income taxes are complete and these matters only include indirect taxes such as sales tax, etc.

(b) Contractual matters under arbitration : Amount indeterminate.

(c) Liquidated damages, except to the extent provided, for delay in delivery of goods / execution of projects : Amount indeterminate.

(d) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated 28th February, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

**29. Segment reporting**

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the Board of Directors, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker are the Board of Directors of the Company.

(1) The Company is engaged solely in the business of Engineering, Procurement and Construction relating to projects of Rural Electrification and Distribution, Power augmentation and Separation, Substations and Industrial Electrification, Solar Projects, MEP projects etc. including supply of materials which constitute its only business and primary segment.

(2) The largest customer of the Company is holding company. Revenue recognised from contracts with holding company amounts to ₹ 15,856.98 lakhs (Previous year: ₹ 41,801.98 lakhs). The Company does not have significant revenue from any other single counterparty.

**30. Earnings Per Share**

| | | 2019-20 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| Profit attributable to equity holders ( ₹ in lakhs) | **972.35** | 813.63 |
| Weighted average number of Equity Shares | **3,71,68,248** | 18,25,782 |
| Basic and Diluted Earnings per share of ₹10 each ( in ₹) | **2.62** | 44.56 |

**31. Micro, Small and Medium Enterprises Development Act, 2006**

| | | | As at 31-3-2020 |
|---|---|---|---|
| | | **₹ In Lakhs** | ₹ In Lakhs |
| (i) | Principal amount remaining unpaid to any supplier | **943.39** | 79.37 |
| (ii) | Interest due on (i) above | — | 5.15 |
| (iii) | The amount of interest paid/ adjusted along with the amounts of the payment made to the supplier beyond the appointed day. | | 5.15 |
| (iv) | The amount of interest due and payable for the year. | — | |
| (v) | The amount of interest accrued and remaining unpaid at the end of the accounting year. | — | — |
| (vi) | Total outstanding dues of Micro, Small and Medium Enterprises | — | — |
| | - Principal | **943.39** | 79.37 |
| | - Interest | — | — |
| | | **943.39** | 79.37 |

Note : The Company has requested mandatory documents from all its vendors to report them under the MSMED Act if they are covered under the said Act. The information disclosed in the financial statements is based on the confirmations received till the date of approval of the financial statements.

**32. Related Party Transactions**

**A. List of related party and relationships**

| **Sl. no.** | **Party** | **Relation** |
|---|---|---|
| i. | Voltas Limited | Holding Company |
| ii. | Tata Sons Private Limited | Ultimate parent company |
| iii. | Tata Consultancy Services Limited | Ultimate parent company has significant control |
| iv. | Tata International Limited | Subsidiaries and step down Subsidiaries of ultimate parent company |
| v. | Mr.Pradeep Bakshi [Managing Direcctor] (w.e.f. 1st April, 2021) | Key Managerial person |
| | Mr. Abhijeet Mukherjee [Manager] (ceased w.e.f. 1st April, 2021) | |
| | Mr. Viral Sarvaiya [Chief Financial Officer] (w.e.f. 6th March, 2020) | |
| vi. | Mr. Anil George (Chairman) | Non Executive Directors |
| | Mr. Debendranath Sarangi | |
| | Mr. Shreeharsha V. Phene | |
| | Ms. Sandhya Shailesh Kudtarkar | |

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**32. Related Party Transactions (contd.)**

**B. Related party transactions and balances at the end of reporting period**

(₹ In Lakhs)

| Sl. no. | Year | Transactions | Holding company | Ultimate parent company has significant control | Subsidiaries and step down Subsidiaries of ultimate parent company | Non Executive Directors |
|---|---|---|---|---|---|---|
| 1 | 2020-21 | Construction contract revenue (against which billed ₹ 15,763 lakhs; Previous year : ₹ 52,876 lakhs) | 15,856.98 | — | — | — |
| | 2019-20 | | 41,801.98 | — | 77.32 | — |
| 2 | 2020-21 | Reimbursement/ (Recovery) of staff cost (net)* and other expenses # | 837.37 | — | — | — |
| | 2019-20 | | 739.90 | — | (37.60) | — |
| 3 | 2020-21 | Interest Expense | 589.38 | | | |
| | 2019-20 | | 720.01 | | | |
| 4 | 2020-21 | Purchase of property, plant and equipment | 1.32 | 2.11 | — | — |
| | 2019-20 | | — | 0.66 | — | — |
| 5 | 2020-21 | Sitting Fees | — | — | — | 6.40 |
| | 2019-20 | | — | — | — | 5.80 |
| 6 | 2020-21 | Issue of Equity share capital | 15,000.00 | — | — | — |
| | 2019-20 | | — | — | — | — |
| 7 | 2020-21 | Redemption of preference share capital | 12,700.00 | — | — | — |
| | 2019-20 | | — | — | — | — |
| 8 | 2020-21 | Debit closing balance at the end of the year (refer footnote iii) | 14,460.59 | — | — | — |
| | 2019-20 | | 19,392.33 | — | — | — |
| 9 | 2020-21 | Credit closing balance at the end of the year (refer footnote iv) | 1,162.05 | 4.84 | — | — |
| | 2019-20 | | 9,722.71 | 2.35 | 17.55 | — |

* Includes reimbursement of cost related to KMP who have been seconded from holding company and amount paid is in compliance with Section 197 of the Companies Act, 2013 [March 2021: ₹ 50.22 lakhs (March 2020: ₹ 64.03 lakhs)]. Therefore, no separate disclosures for KMP has been given.

# Includes rent, facility management, professional charges and project related expenses.

**Footnotes:**

(i) All related party transactions were entered into on an arm's length basis.

(ii) The overdraft facility availed by the Company is secured by a corporate guarantee which is issued by Voltas Limited (holding company) in favour of the bank.

(iii) Debit closing balance at the end of the year includes trade receivables - ₹ 4,122.21 lakhs (March 2020 : ₹ 9,324.23 lakhs), other financial assets - ₹ 28.12 lakhs (March 2020 : ₹ 172.71 lakhs), amount due from customers under construction contracts - ₹ 10,310.26 lakhs (March 2020 : ₹ 9,895.39 lakhs)

(iv) Credit closing balance at the end of the year includes trade payables (Net off advance) - ₹ 422.47 lakhs (March 2020 : ₹ 1,353.85 lakhs), 0.01% CRPS - ₹ Nil (March 2020 : ₹ 7,920.53 lakhs), amount due to customers under construction contracts - ₹ 769.58 lakhs (March 2020 : ₹ 448.33 lakhs).

(v) The Company had acquired solar business from Tata International Limited with effect from 1st July, 2019 as per the asset transfer agreement (Refer Note 40).

**33. Employee benefits expense**

**(i) Defined Contribution plans**

The eligible employees of the Company are entitled to receive benefits under provident fund schemes which are in substance, defined contribution plans, in which both covered employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary). The contributions are paid for provident and pension funds. The Company's contributions during the year to Provident Funds are recognised in the Statement of Profit and Loss.

The total expense recognised in the Statement of Profit and Loss of ₹ 66.39 lakhs (for the year ended 31st March, 2020: ₹ 84.76 lakhs) represents contributions payable to this plan.

**(ii) Defined benefit plans**

The Company's liabilities towards gratuity schemes are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses based on valuation done by the independent actuary carried out quarterly are recognised immediately in the other comprehensive income. Obligation is measured at the present value of the estimated future cash flows using a discounted rate that is determined by reference to market yields of Government bonds at the Balance Sheet date where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. The Gratuity plan of the Company is funded.

No other post-retirement benefits are provided to these employees.

**(a) The principal assumptions used for the purposes of the actuarial valuations were as follows:**

| | | 2019-20 |
|---|---|---|
| Discount rate(s) | **6.49%** | 6.59% |
| Expected rate(s) of salary increase | **5.00%** | 6.00% |
| Attrition rate | **12.00%** | 12.00% |
| Mortality rate during employement | * | * |

* Based on Indian Assured Lives Mortality (2006-08) Ult with modification to reflect expected changes in mortality / others.

**(b) Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:**

| | | 2019-20 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| Current service cost | **17.83** | 16.55 |
| Net interest expense | **1.35** | (0.17) |
| **Components of defined benefit costs recognised in Statement of Profit and Loss** | **19.18** | 16.38 |

**(c) Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:**

| | | 2019-20 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| Actuarial (gains) / losses arising from changes in financial assumptions | **(3.06)** | (4.30) |
| Actuarial (gains) / losses arising from experience adjustments | **(16.13)** | 5.14 |
| Actual return on plan assets less interest on plan assets | **(1.29)** | 0.19 |
| **Components of defined benefit costs recognised in other comprehensive income*** | **(20.48)** | 1.03 |

* Net of income tax effect is ₹ 13.33 lakhs (March 2020: ₹ 0.67 lakh), which includes tax of ₹ 7.15 lakhs (March 2020: ₹ 0.36 lakh).

**(d) Movements in the present value of the defined benefit obligation are as follows:**

| | | 2019-20 |
|---|---|---|
| | **₹ In Lakhs** | ₹ In Lakhs |
| Opening defined benefit obligation | **48.86** | 32.60 |
| Current service cost | **17.83** | 16.55 |
| Interest cost | **3.22** | 2.44 |
| Liability transferred in/ acquisitions (Refer Note 40) | **—** | 5.35 |
| Remeasurement (gains)/losses: | | |
| Actuarial (gains) / losses arising from changes in financial assumptions | **(3.06)** | (4.30) |
| Actuarial (gains) / losses arising from experience adjustments | **(16.13)** | 5.14 |
| Benefits paid | **(2.99)** | (8.92) |
| **Closing defined benefit obligation** | **47.74** | 48.86 |

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**33. Employee benefits expense (contd.)**

**(e) Movements in the fair value of the plan assets are as follows:**

| | **₹ In Lakhs** | 2019-20<br>₹ In Lakhs |
|---|---|---|
| Opening fair value of plan assets | **28.37** | 34.88 |
| Interest income | **1.87** | 2.60 |
| Remeasurement gain / (loss): | | |
| Actual return on plan assets less interest on plan assets | **1.29** | (0.19) |
| Contributions from the employer | **20.43** | — |
| Benefits paid | **(2.99)** | (8.92) |
| **Closing fair value of plan assets** | **48.97** | 28.37 |

The plan assets are represented by investment made under the Gratuity Scheme operated by Life Insurance Corporation of India.

**(f) The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:**

| | **₹ In Lakhs** | 2019-20<br>₹ In Lakhs |
|---|---|---|
| Present value of funded defined benefit obligation at the end of the period | **(47.74)** | (48.86) |
| Fair value of plan assets at the end of the period | **48.97** | 28.37 |
| **Net (liability)/asset arising from defined benefit obligation (Refer Notes 8B and 17)** | **1.24** | (20.49) |

**(g) Sensitivity analysis:**

| | **₹ In Lakhs** | 2019-20<br>₹ In Lakhs |
|---|---|---|
| **Projected benefit obligation on current assumptions** | **47.74** | 48.86 |
| Delta effect of +1% change in rate of discounting | **(3.01)** | (3.41) |
| Delta effect of -1% change in rate of discounting | **3.40** | 3.88 |
| Delta effect of +1% change in rate of salary increase | **3.42** | 3.86 |
| Delta effect of -1% change in rate of salary increase | **(3.08)** | (3.46) |
| Delta effect of +1% change in rate of employee turnover | **(0.36)** | (0.83) |
| Delta effect of -1% change in rate of employee turnover | **0.33** | 0.83 |

The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the projected benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the benefit obligation for active members as at 31st March, 2021 is 7 years (as at 31st March, 2020: 7 years). There were no deferred or retired members.

**(h) The expected maturity analysis of undiscounted defined benefit obligation is as follows:**

| | **₹ In Lakhs** | 2019-20<br>₹ In Lakhs |
|---|---|---|
| Within 1 year | **2.77** | 2.59 |
| Between 1 and 2 years | **3.24** | 2.60 |
| Between 2 and 3 years | **5.33** | 2.96 |
| Between 3 and 4 years | **5.94** | 6.36 |
| Between 4 and 5 years | **5.54** | 5.89 |
| Beyond 5 years | **24.91** | 28.47 |

**34. Going concern basis**

The Company has incurred substantial amount of losses in earlier years resulting in negative retained earnings. The Company is in a revival phase from last few years based on the new contracts received and executed by the Company. The financial statements of the Company have been prepared on a going concern basis considering following factors:

- The holding company has committed to provide continuous support to the Company by way of infusion of funds from time to time; and
- Expected cash flows and profitability from open orders amounting ₹ 57,015.26 lakhs as on the reporting date available with the Company.

**35.** Deferred tax assets and Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31st March, 2021 and 31st March, 2020.

| | | ₹ In Lakhs | As at 31-3-2020 ₹ In Lakhs |
|---|---|---|---|
| (a) | **Deferred tax assets** | **3,540.43** | 3,931.18 |
| | Reconciliation of deferred tax assets (net): | | |
| | Opening balance | **3,931.18** | 3,965.62 |
| | Tax expense during the period recognised in profit or loss | **(383.60)** | (34.79) |
| | Tax income/(expense) during the period recognised in OCI | **(7.15)** | 0.36 |
| | **Closing balance** | **3,540.43** | 3,931.18 |

**(b) The balance comprise temporary differences attributable to:**

(₹ In Lakhs)

| | As at 31-3-2020 | (Charged)/ credited to statement of profit and loss | (Charged)/ credited to OCI | As at 31-3-2021 |
|---|---|---|---|---|
| Allowance for receivables, loans and advances | 1,254.76 | 151.89 | — | **1,406.65** |
| Provision for employee benefits | 16.64 | (1.27) | (7.15) | **8.22** |
| Estimated loss on projects | 2.02 | 15.04 | — | **17.06** |
| Provision for pending sales tax forms | 48.83 | 3.37 | | **52.20** |
| Property, plant and equipment and intangible assets | 19.75 | 0.12 | — | **19.87** |
| Expenditure inadmissible u/s 40(a) | 4.33 | (4.33) | — | — |
| Unutilised brought forward loss and unabsorbed depreciation | 1,694.07 | (1,015.19) | — | **678.88** |
| MAT credit entitlement | 890.77 | 466.78 | — | **1,357.55** |
| **Deferred Tax Assets** | 3,931.18 | (383.60) | (7.15) | **3,540.43** |

| | As at 31-3-2019 | (Charged) / credited to statement of profit and loss | (Charged)/ credited to OCI | As at 31-3-2020 |
|---|---|---|---|---|
| Allowance for receivables, loans and advances | 1,159.59 | 95.17 | — | 1,254.76 |
| Provision for employee benefits | 4.75 | 11.54 | 0.36 | 16.64 |
| Estimated loss on projects | 16.18 | (14.16) | — | 2.02 |
| Provision for pending sales tax forms | — | 48.83 | — | 48.83 |
| Property, plant and equipment and intangible assets | 17.25 | 2.50 | — | 19.75 |
| Expenditure inadmissible u/s 40(a) | - | 4.33 | — | 4.33 |
| Unutilised brought forward loss and unabsorbed depreciation | 2,197.25 | (503.18) | — | 1,694.07 |
| MAT credit entitlement | 570.60 | 320.17 | — | 890.77 |
| **Deferred Tax Assets** | 3,965.62 | (34.79) | 0.36 | 3,931.18 |

**Footnotes:**

(i) The Company has carried forward business loss, unabsorbed depreciation, total MAT credit entitlement and other deductible differences and is liable to tax under section 115JB of the Income-tax Act, 1961. Therefore, the Company has not provided reconciliation between tax expense and the accounting profit multiplied by India's domestic tax rate.

(ii) On 20th September, 2019, vide the Taxations Laws (Amendment) Act 2019, the Government of India inserted Section 115BAA in the Income-tax Act, 1961 which provides domestic companies a non-reversible option to pay corporate tax at reduced rates effective from 1st April, 2019, subject to certain condition. Based on the current assessment performed by management, the Company plans to pay tax under the pre-amendment rate and accordingly no impact has been considered in current financial statements for the new tax rate. The Company will continue to re-evaluate its position at periodic intervals.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**36. Disclosures under Ind AS 115**

**(a) Set out below is the amount of revenue recognised from contract liability**

| Sl. No. | Particulars | **₹ In Lakhs** | As at 31-3-2020<br>₹ In Lakhs |
|---|---|---|---|
| (i) | Amounts included in contract liabilities at the beginning of the year | **304.43** | 16.60 |
| (ii) | Performance obligations satisfied in previous years | — | — |

**(b) Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price**

| Sl. No. | Particulars | **₹ In Lakhs** | 2019-20<br>₹ In Lakhs |
|---|---|---|---|
| | Revenue as per contracted price | **18,065.16** | 34,547.06 |
| | Adjustments: | | |
| | Add: (a) Unbilled on account of work under certification | **15,554.94** | 11,137.41 |
| | Less: (b) Billing in excess of contract revenue | **(1,403.40)** | (560.10) |
| | Revenue from contract with customers [Refer Note 21(A)] | **32,216.69** | 45,124.37 |

**(c) Performance obligation**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31st March, 2021 is of ₹ 57,015.26 lakhs (31st March, 2020: ₹ 33,600.56 lakhs), out of which, majority is expected to be recognised as revenue within a period of one year.

**37. Financial instruments**

**(A) Capital management**

The Company manages its capital to ensure that the Company will be able to continue as going concern (as referred in Note 34) while maximising the return to stakeholders through optimisation of debt and equity. The primary objective of the Company's capital management is to maximise the shareholder value to maintain equity, protect economic viability and to finance any growth opportunities that may be available in future so as to maximize shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total capital. For the purpose of the Company's capital management, the Company includes within net debt, interest bearing overdraft facilities from banks and redeemable preference shares from holding company less cash and cash equivalents. Equity includes issued equity capital and all other equity reserves attributable to the equity shareholders of the Company.

**Gearing Ratio**

The gearing ratio at the end of the reporting period was as follows

| **Particulars** | Notes | **₹ In Lakhs** | As at<br>31-3-2020<br>₹ In Lakhs |
|---|---|---|---|
| Debt | | | |
| Non -Current Borrowing | 15A | — | 7,920.53 |
| Current Borrowing | 15B | — | 5,032.82 |
| Less: Cash and cash equivalents | 11 | **(838.97)** | (705.20) |
| Net debt | | **(838.97)** | 12,248.15 |
| | | | |
| Equity Share Capital | 13 | **15,182.58** | 182.58 |
| Other Equity | 14 | **(655.60)** | 2,700.12 |
| **Total equity** | | **14,526.98** | 2,882.70 |
| **Gearing ratio** | | * | 424.88% |

*Gearing ratio - is zero in CY considering Nil borrowings.

The Management reviews the capital structure of the Company on a periodic basis. In order to achieve the overall objective, the Company amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call the overdraft balance and working capital demand loan. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st March, 2021 and 31st March, 2020.

**37. Financial instruments (contd.)**

**(B) Fair Value measurements**

**Financial instruments by category**

(₹ In Lakhs)

| | Notes | 31st March, 2021 | | | 31st March, 2020 | | |
|---|---|---|---|---|---|---|---|
| | | **FVTPL** | **FVOCI** | **Amortised Cost** | **FVTPL** | **FVOCI** | **Amortised Cost** |
| **Financial assets** | | | | | | | |
| Trade receivables | 10 | — | — | 8,283.08 | — | — | 10,977.06 |
| Cash and cash equivalents | 11 | — | — | 838.97 | — | — | 705.20 |
| Other financial assets | | | | | | | |
| - Other receivables and deposits | 5B | — | — | 24.40 | — | — | 17.27 |
| - Claims receivable from customer | 5B | — | — | 170.64 | — | — | 384.54 |
| - Others | 5A | | | 10.54 | | | 10.18 |
| **Total financial assets** | | **—** | **—** | **9,327.63** | — | — | 12,094.25 |
| **Financial liabilities** | | | | | | | |
| Non -current borrowings | 15A | — | — | — | — | — | 7,920.53 |
| Current borrowings | 15B | — | — | — | — | — | 5,032.82 |
| Trade payables | | — | — | 16,437.11 | — | — | 12,449.48 |
| **Total financial liabilities** | | **—** | **—** | **16,437.11** | — | — | 25,402.83 |

Set out above, is a comparison of the carrying amounts and fair value of Company's financial instruments.

The carrying amounts of all the financial assets and financial liabilities measured at amortised in financial statements are a reasonable approximation of their fair value, since the Company does not anticipate that the carrying amount would be significantly different from the value that would be eventually be received or settled.

**(C) Finance risk Management : Objectives and Policies**

The Company's principal financial liabilities comprise of long term and short term borrowings and trade payables. The liabilities relate to financing Company's working capital cycle. The Company's financial assets comprise of trade receivables, cash and cash equivalents and other financial assets that arise directly from its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company risk's management assessment is carried out by the board of directors. The finance-in-charge identifies, evaluates and hedges financial risks as per the requirements of the business. The board provides written principles for overall risk management, as well as polices covering specific areas such as interest rate risk and credit risk. The below note explains the sources of risk which the entity is exposed to and how the entity manages the risk in the financial statements.

| Risk | Exposure arising from | Measurement | Risk Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, trade receivables, financial assets measured at amortised cost | Ageing analysis | Diversification of bank deposits, credit limits and letters of credit |
| Liquidity risk | Borrowings and other liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |
| Market risk - interest rate | Long-term borrowings at fixed / variable rates | Sensitivity analysis | Rate negotiations with the lenders |

**(i) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own business records to rate its major customers. The Company exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**37. Financial instruments (contd.)**

The largest customer of the Company is holding company. Apart from it, the Company does not have significant credit risk exposure to any single counterparty.

The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables and contract assets based on a provision matrix. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates based on terms of contract with holding company/customer.

**(ii) Liquidity risk management**

Liquidity risk refers to the risk that the Company cannot meets its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that the funds are available for use as per the requirements. The ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities..

**Maturities of financial liabilities:**

The table below analyse the Company financial liabilities into relevant maturity based on their contractual maturities for all non-derivative financial liabilities.

– net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

(₹ In Lakhs)

| **Contractual maturities of financial liabilities (31st March, 2021)** | Notes | **Up to 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **5 years and above** | **Total** |
|---|---|---|---|---|---|---|
| Non-derivatives | | | | | | |
| Non current borrowings | **15A** | — | — | — | — | — |
| Current borrowings | **15B** | — | — | — | — | — |
| Trade payables | | **16,437.11** | — | — | — | **16,437.11** |
| **Total non-derivative liabilities** | | **16,437.11** | — | — | — | **16,437.11** |
| Contractual maturities of financial liabilities (31st March, 2020) | Notes | Up to 1 year | Between 1 and 2 years | Between 2 and 5 years | 5 years and above | Total |
| Non-derivatives | | | | | | |
| Non current borrowings | 15A | — | — | 4,699.02 | 3,221.51 | 7,920.53 |
| Current borrowings | 15B | 5,032.82 | — | — | — | 5,032.82 |
| Trade payables | | 12,449.48 | — | — | — | 12,449.48 |
| Total non-derivative liabilities | | 17,482.30 | — | 4,699.02 | 3,221.51 | 25,402.83 |
| | | | | | | |

**(iii) Market risk: Interest rate risk management**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term and short term debt interest obligations with floating and fixed interest rates. The Company engages in financing activities at market linked rates and therefore, any changes in the domestic or global interest rates environment may impact future rates of borrowing. To manage this risk, the Company maintains an appropriate mix between fixed and floating rate borrowings. The Management maintains a robust portfolio mix of multiple borrowing products. Dynamic switching between various financing products coupled with a short maturity profile of the borrowing helps mitigate the interest rate risk adequately for short term debt obligations. Further, for long term debt obligations, the Company regularly reviews the market interest rates for such obligations and negotiates with banks and financial institutions periodically and switches between similar financial products which are favorable to the Company thus mitigating the interest rate risk on long term obligations.

**37. Financial instruments (contd.)**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

(₹ In Lakhs)

| Particulars | | 31-3-2019 |
|---|---|---|
| Variable rate borrowings | — | 5,032.82 |
| Fixed rate borrowings | — | 7,920.53 |
| Total borrowings | — | 12,953.35 |

**Interest rate sensitivity analysis**

With all other variables held constant, the following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The impact on the Company's profit before tax is due to changes in the finance cost of the Company due to changes in interest rates. The impact on the Company's equity is the post-tax impact of changes in the finance cost of the Company due to changes in interest rates.

| **For the year ended 31st March, 2021** | **Increase /Decrease in basis Point** | **Effect on profit before tax** | **Effect on equity*** |
|---|---|---|---|
| **INR - Borrowings (excluding preference shares)** | | | |
| | **+50** | — | — |
| For the year ended 31st March, 2020 | **-50** | — | — |
| INR - Borrowings | | | |
| | +50 | (53.96) | (53.96) |
| | -50 | 53.96 | 53.96 |

* The effect on equity is considered same as profit before tax as the Company is having accumulated losses and unabsorbed losses.

**38. Aggregation of expenses disclosed in Consumption of materials, cost of jobs and services, Employee benefit expense and Other expenses in respect of specific items is as follows: (Refer Notes 24 and 26)**

(₹ In Lakhs)

| **Nature of expenses** | **For the year ended 31-3-2021** | | | |
|---|---|---|---|---|
| | **Cost of jobs and services** | **Salaries and wages** | **Other expenses** | **Total** |
| Employee benefit expense | — | **2,061.65** | — | **2,061.65** |
| | — | (2,690.85) | — | (2,690.85) |
| Legal and professional expenses | — | — | **73.08** | **73.08** |
| | — | — | (66.32) | (66.32) |
| Outside service charges | **85.28** | — | **699.03** | **784.31** |
| | (24.73) | — | (340.81) | (365.53) |
| Travelling and conveyance | — | — | **49.48** | **49.48** |
| | — | — | (124.55) | (124.55) |
| Printing and stationary | **0.13** | — | **19.69** | **19.82** |
| | (0.05) | — | (25.03) | (25.08) |
| Rent expenses | — | — | **199.29** | **199.29** |
| | — | — | (188.87) | (188.87) |
| Insurance charges | — | — | **279.54** | **279.54** |
| | - | — | (59.47) | (59.47) |
| Miscellaneous expenses | **1.53** | — | **101.38** | **102.90** |
| | (0.39) | — | (125.05) | (125.44) |

Figures in brackets are of previous year.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2021 (contd.)

**39. Amount expected to be recovered or settled within 12 months and after 12 months**

(₹ In Lakhs)

| | Notes | **31-3- 2021** | | 31-3- 2020 | |
|---|---|---|---|---|---|
| | | **Within 12 months** | **After 12 months** | Within 12 months | After 12 months |
| **Inventories** | 9 | **71.25** | — | 105.82 | — |
| **Trade receivables** | 10 | **8,283.08** | — | 10,977.06 | — |
| **Cash and cash equivalents** | | | | | — |
| Balances with bank in current account | 11 | **838.97** | — | 705.20 | — |
| **Other financial assets** | | | | | |
| Balance held as margin money with bank | 5A | — | **10.54** | — | 10.18 |
| Claims receivable from customer | 5B | **170.64** | — | 384.54 | — |
| Other receivables and deposits | 5B | **24.40** | — | 17.27 | — |
| **Other current assets** | | | | | |
| Advance to suppliers | 8B | **1,003.71** | — | 284.06 | — |
| Advances to employees | 8B | **9.46** | — | 11.89 | — |
| Balance with statutory and government authorities | 8B | **3,029.51** | — | 1,183.56 | — |
| Gratuity | 8B | **1.24** | | — | |
| Prepaid expenses | 8B | **90.54** | | 25.16 | |
| Others | 8B | **10.00** | — | 10.67 | — |
| **Other non current assets** | | | | | |
| Income tax assets (net) | 6 | — | — | — | 291.93 |
| Deferred tax assets | 7 | — | **3,540.43** | — | 3,931.18 |
| Deposits for tax and other statutory dues | 8A | **822.93** | — | — | 864.65 |
| **Contract assets** | 12 | **15,027.47** | — | 10,791.53 | — |
| **Borrowing** | | | | | |
| Current borrowing | 15B | — | — | 5,032.82 | — |
| Non - current borrowing | 15A | — | — | — | 7,920.53 |
| **Trade payables** | | **16,437.11** | — | 12,449.48 | — |
| **Provisions** | 16/17 | **154.68** | **18.21** | 164.88 | 22.48 |
| **Other current liabilities** | | | | | |
| Statutory dues (withholding taxes, GST etc.) | 18 | **41.11** | — | 596.80 | — |
| Other Current Liabilities | 18 | **0.82** | — | 0.82 | — |
| **Contract Liabilities** | | | | | |
| Amount due to customers under construction contracts | 19 | **1,403.40** | | 560.10 | |
| Advance received from customers | 19 | **202.99** | — | 44.35 | — |
| Current tax liabilities (net) | 20 | **225.35** | — | — | — |

**40. Business combination**

The Board of Directors of the Company signed an Asset Transfer Agreement with Tata International Limited (TIL) on 17th April, 2019, for acquiring their Solar business after satisfaction/completion of Conditions Precedent (CPs) as on the Closing Date. The transaction completed in September 2019 and as part of the arrangement, all relevant employees of Solar business of TIL were transferred to the Company. The consideration payable to TIL was based on the Net Asset Value of Solar business determined based on mutually accepted terms and conditions between the Company and TIL and no new shares have been issued by the Company.

**40. Business combination (contd.)**

The assets and liabilities of the Solar business of TIL have been incorporated at their carrying values in the financial statements of the Company:

The details of assets & liabilities taken over as at 1st July, 2019 are as follows:

| **Particulars** | **₹ In Lakhs** |
|---|---|
| Gross trade receivables | 1,025.58 |
| Allowance on trade receivables | (730.46) |
| Inventory | 905.89 |
| Property, plant & equipment | 1.06 |
| Loans and advances | 0.35 |
| Other assets | 1.88 |
| **Total assets** | **1,204.30** |
| Trade payables | 929.21 |
| Other current liabilities | 204.60 |
| Provisions | 46.35 |
| **Total liabilities** | **1,180.16** |
| **Net amount payable to Tata International Limited as on acquisition date** | **24.14** |

**41. Proposed business acquisition**

The Board of Directors at their meeting held on 5th March, 2021, has approved to acquire, the domestic Projects business relating to Mechanical, Electrical, Plumbing, Heating, Ventilation, Air-Conditioning and Water projects, Mining and Construction Equipment business and Textile Machinery Division of Voltas Limited' ('Parent Company') through slump sale on a going concern basis for a consideration in the range between ₹ 1,000 crores to ₹ 1,200 crores, based on the fair value of the businesses. This proposed business transfer is expected to be completed by end of September 2021 or such other date as may be mutually agreed between the Company and the parent Company. The impact of such transaction is not given in the accompanying financial statements.

**42. Impact of COVID 19**

The Company has carried out a comprehensive assessment of possible impact of the ongoing COVID 19 pandemic on its business operations, financial assets, contractual obligations and its overall liquidity position, based on the internal and external sources of information and application of reasonable estimates. Management has assessed that the current lockdown situation and the associated restrictions in mobility of the resources could result in temporary delay in the execution of the projects. The Company does not foresee any significant incremental risk to the recoverability of its assets or in meeting its financial obligations over the foreseeable future and has performed an assessment of their project costs estimates in light of the impact on account of the lockdown, etc. Since the situations are continuously evolving, the impact assessed may be different from the estimates made as at the date of approval of these financial statements and management will continue to monitor any material changes arising due to the impact of this pandemic on the financial and operational performance of the Company and take necessary measures to address the situation.

**43. Reclassification of previous years figures**

Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/disclosure.

**44 . Approval of financial statements**

The financial statements were approved by the Board of Directors and authorized for issue on 28th April, 2021.

The accompanying notes are an integral part of the Ind AS financial statements.

As per our report of even date
For **S R B C & CO LLP**
(ICAI Firm Registration No. 324982E/E300003)
*Chartered Accountants*

Dolphy D'Souza
Partner
Membership No. 38730

*Mumbai, 28th April, 2021*

For and on behalf of the Board of Directors

*Chairman* **Anil George**
(DIN: 00590939)
*Managing Director* **Pradeep Bakshi**
(DIN: 02940277)
*Chief Financial Officer* **Viral Sarvaiya**
*Company Secretary* **Vishal Totla**

*Mumbai, 28th April, 2021*

# FOREIGN SUBSIDIARIES

# WEATHERMAKER LIMITED

Directors :
**Anil George**
**A. R. Suresh Kumar**
**James Edward McKenna**

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Directors present their Twenty Eighth Annual Report and Accounts for the year ended 31st December, 2020.

2. In view of the on-going COVID-19 pandemic and slow pace of activities, the Company reported lower turnover of United Arab Emirates Dirham (AED) 17.432 million for the year ended 31st December, 2020, as compared to AED 22.094 million in the previous year. The Company reported loss of AED 0.051 million for the year under review as compared to net profit of AED 2.600 million in the previous year.

3. The Directors do not recommend any dividend for the year ended 31st December, 2020 (Previous year: Nil).

4. M/s. PKF, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

*Directors*

**Anil George**
**A. R. Suresh Kumar**

*Dubai, 27th April, 2021*

## INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDER OF**

**WEATHERMAKER LIMITED**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of **WEATHERMAKER LIMITED** (the "Company"), which comprise the statement of financial position as at 31st December, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Other Information**

Management is responsible for the other information. Other information comprises the Directors' report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

**Responsibilities of Management and Those charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that give true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal and regulatory requirements**

We further confirm that the financial statements have been prepared in accordance with the requirements of the Isle of Man Companies Act, 1931 to 2004.

**For PKF**
**S D Pereira**
Partner
Auditor registration no. 552

*Dubai, 3rd May, 2021*

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2020

| | Notes | **AED** | As at 31-12-2019 AED | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 6 | **16,39,787** | 2,16,708 | **32,714** | 4,208 |
| Intangible assets | 7 | **39,564** | 69,298 | **789** | 1,346 |
| | | **16,79,351** | 2,86,006 | **33,503** | 5,554 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 8 | **29,38,583** | 30,78,320 | **58,625** | 59,782 |
| Trade and other receivables | 9 | **1,38,61,029** | 1,35,95,530 | **2,76,528** | 2,64,025 |
| Other current assets | 10 | **9,76,550** | 17,36,432 | **19,482** | 33,722 |
| Other financial assets | 12 | **7,22,954** | 7,22,674 | **14,423** | 14,034 |
| Cash and cash equivalents | 13 | **12,40,230** | 11,84,848 | **24,743** | 23,010 |
| | | **1,97,39,346** | 2,03,17,804 | **3,93,801** | 3,94,573 |
| **TOTAL ASSETS** | | **2,14,18,697** | 2,06,03,810 | **4,27,304** | 4,00,127 |
| **EQUITY AND LIABILITIES** | | | | | |
| **SHAREHOLDER'S FUNDS** | | | | | |
| Share capital | 14 | **15,00,000** | 15,00,000 | **29,925** | 29,130 |
| Retained earnings | | **1,49,23,083** | 1,49,74,090 | **2,97,716** | 2,90,797 |
| Other reserve | | **(51,818)** | — | **(1,034)** | — |
| | | **1,63,71,265** | 1,64,74,090 | **3,26,607** | 3,19,927 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Provision for staff end-of-service benefits | 15 | **11,70,322** | 8,87,046 | **23,348** | 17,227 |
| Lease liabilities | 16 | **8,22,873** | — | **16,416** | — |
| | | **19,93,195** | 8,87,046 | **39,764** | 17,227 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 17 | **21,06,019** | 28,37,823 | **42,016** | 55,111 |
| Other current liabilities | 18 | **4,94,390** | 4,04,851 | **9,863** | 7,862 |
| Lease liabilities | 16 | **4,53,828** | — | **9,054** | — |
| | | **30,54,237** | 32,42,674 | **60,933** | 62,973 |
| **TOTAL LIABILITIES** | | **50,47,432** | 41,29,720 | **1,00,697** | 80,200 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,14,18,697** | 2,06,03,810 | **4,27,304** | 4,00,127 |

The accompanying notes form an integral part of these financial statements.

**Note:** The Statement of Financial Position has been converted into Indian Rupees @ 1 AED = ₹19.95 being the exchange rate prevailing as on 31st December, 2020. Previous year figures have been converted @ 1 AED = ₹19.42 being the exchange rate prevailing as on 31st December, 2019.

*Directors*

**Anil George**

*Dubai, 27th April, 2021*

**A. R. Suresh Kumar**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | Notes | AED | 2019 AED | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|---|
| **Revenue** | 21 | **1,74,31,571** | 2,20,93,682 | **3,43,228** | 4,24,862 |
| Cost of sales | 22 | **(1,51,71,761)** | (1,77,60,197) | **(2,98,732)** | (3,41,529) |
| **Gross profit** | | **22,59,810** | 43,33,485 | **44,496** | 83,333 |
| Other income | 23 | **7,28,907** | 16,19,776 | **14,352** | 31,148 |
| Distribution costs | 24 | **(12,13,665)** | (12,18,372) | **(23,897)** | (23,429) |
| Administrative expenses | 25 | **(17,35,186)** | (19,13,191) | **(34,166)** | (36,791) |
| Impairment of financial assets | 25A | **(69,484)** | (2,26,078) | **(1,368)** | (4,347) |
| Interest income | 26 | **414** | 4,091 | **8** | 79 |
| Finance cost on lease liabilities | | **(21,803)** | — | **(429)** | — |
| **(Loss) / Profit for the year** | | **(51,007)** | 25,99,711 | **(1,004)** | 49,993 |
| **Other comprehensive income:** | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| - Actuarial losses recognised | | **(51,818)** | — | **(1,020)** | — |
| **Total Comprehensive income for the year** | | **(1,02,825)** | 25,99,711 | **(2,024)** | 49,993 |

The accompanying notes form an integral part of these financial statements.

**Note:** The Statement of Comprehensive Income has been converted into Indian Rupees @ 1 AED = ₹ 19.69 being the average of the exchange rates prevailing as on 31st December, 2020 (1 AED = ₹ 19.95) and as on 31st December, 2019 (1 AED = ₹ 19.42). Previous year figures have been converted @ 1 AED = ₹ 19.23 being the average of the exchange rates prevailing as on 31st December, 2019 (1 AED = ₹ 19.42) and as on 31st December, 2018 (1 AED = ₹ 19.03).

*Directors*

**Anil George**

*Dubai, 27th April, 2021*

**A. R. Suresh Kumar**

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | Share capital | | Other reserve | | Retained earnings | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **AED** | **₹ in '000s** | **AED** | **₹ in '000s** | **AED** | **₹ in '000s** | **AED** | **₹ in '000s** |
| Balance at 1st January, 2019 | 15,00,000 | 28,545 | — | — | 1,31,24,379 | 2,49,757 | 1,46,24,379 | 2,78,302 |
| Total comprehensive income for the year | — | — | — | — | 25,99,711 | 49,993 | 25,99,711 | 49,993 |
| Dividend declared and paid during the year | — | — | — | — | (7,50,000) | (14,273) | (7,50,000) | (14,273) |
| Balance at 31st December, 2019 | 15,00,000 | 29,130 | — | — | 1,49,74,090 | 2,90,797 | 1,64,74,090 | 3,19,927 |
| Total comprehensive income for the year | | | | | | | | |
| - Loss for the year | — | — | — | — | (51,007) | (1,004) | (51,007) | (1,004) |
| - Other comprehensive income | — | — | (51,818) | (1,020) | — | — | (51,818) | (1,020) |
| **Balance at 31st December, 2020** | **15,00,000** | **29,925** | **(51,818)** | **(1,034)** | **1,49,23,083** | **2,97,716** | **1,63,71,265** | **3,26,607** |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **AED** | AED | **₹ in '000s** | ₹ in '000s |
| **Cash flows from operating activities** | | | | |
| (Loss) / Profit for the year | **(51,007)** | 25,99,711 | **(1,004)** | 49,993 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | **2,39,730** | 52,215 | **4,721** | 1,004 |
| Amortisation of intangible assets | **29,734** | 29,882 | **585** | 575 |
| Interest income | **(414)** | (4,091) | **(8)** | (79) |
| Allowance for expected credit losses | **69,484** | 2,26,078 | **1,368** | 4,347 |
| Provision against obsolete inventories | **1,46,645** | — | **2,887** | — |
| Credit balances written back | **(41,887)** | — | **(825)** | — |
| Provision for staff end-of-service gratuity | **2,78,440** | 1,92,763 | **5,482** | 3,707 |
| | **6,70,725** | 30,96,558 | **13,206** | 59,547 |
| Changes in: | | | | |
| - Inventories | **(6,908)** | (11,93,233) | **(1,809)** | (23,937) |
| - Trade and other receivables | **(3,34,983)** | 1,39,952 | **(14,043)** | (2,753) |
| - Other current assets | **7,34,090** | (5,02,466) | **13,326** | (10,533) |
| - Trade and other payables | **(6,89,917)** | (3,83,525) | **(11,903)** | (5,929) |
| - Other current liabilities | **89,539** | (41,587) | **2,043** | (602) |
| Staff end-of-service gratuity paid | **(46,982)** | (1,02,933) | **(925)** | (1,979) |
| **Net cash from operating activities** | **4,15,564** | 10,12,766 | **8,291** | 19,668 |
| **Cash flows from investing activities** | | | | |
| Payments for property, plant and equipment | **(2,01,459)** | (94,328) | **(3,967)** | (1,814) |
| Increase in fixed deposits | **(280)** | (2,427) | **(389)** | (328) |
| Interest received | **414** | 4,091 | **8** | 79 |
| **Net cash used in investing activities** | **(2,01,325)** | (92,664) | **(4,016)** | (1,800) |
| **Cash flows from financing activities** | | | | |
| Payment of lease liabilities | **(1,58,857)** | — | **(3,128)** | — |
| Dividends paid | — | (7,50,000) | — | (14,273) |
| **Net cash used in financing activities** | **(1,58,857)** | (7,50,000) | **(3,169)** | (14,565) |
| **Net increase in cash and cash equivalents** | **55,382** | 1,70,102 | **1,733** | 3,699 |
| **Cash and cash equivalents at beginning of year** | **11,84,848** | 10,14,746 | **23,010** | 19,311 |
| **Cash and cash equivalents at end of year (Note 13)** | **12,40,230** | 11,84,848 | **24,743** | 23,010 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

### 1. LEGAL STATUS AND BUSINESS ACTIVITY

**(a)** WEATHERMAKER LIMITED ("the Company") is a Limited Liability Company incorporated in the Isle of Man, on 12th October, 1992. The registered office is Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP.

**(b)** The Company's principal activity as per trade license comprise of central air-conditioning requisites manufacturing, steel fabrication & welding workshop ventilation equipment manufacturing. The activities are carried out in Jebel Ali, Dubai, U.A.E., under a special licence issued by the Jebel Ali Free Zone Authority. The Company has taken additional trading license with License No. 183266 on 2nd March, 2020. The activities as per the trading license comprise trading in steel products, non-ferrous metal products, insulation & protection material, pipes & fittings, fibre glass products, building metal products and bolts, nuts, screws & nails trading. The Dubai office address is P.O. Box 17127, Dubai, UAE. The administrative office and factory are located in Jebel Ali Free Zone.

**(c)** The parent company is Voltas Limited, incorporated in India, which is considered to be the ultimate parent company.

### 2. BASIS OF PREPARATION

**(a) Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning 1st January, 2020 and the requirements of Isle of Man Companies Acts, 1931 to 2004.

**(b) Basis of measurement**

The financial statements are prepared using historical cost.

Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

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.

**(c) Going concern**

The financial statements are prepared on a going concern basis.

When preparing financial statements, Management makes an assessment of the Company's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The outbreak of Covid-19 continues to cause disruptions in normal lives and business in several ways. The uncertainty due to Covid-19 outbreak with regard to the future impact on the Company's business performance has also been considered as part of the Management's assessment of the Company's ability to continue as a going concern. As the Company is principally engaged in manufacturing and trading in duct and ducts accessories, a short-term impact may be experienced in Company's business activities but there is no change in Management's going concern assessment or business strategy.

As the impact of Covid-19 continues to evolve, the Company will continue to monitor the situation and its impacts on the financial statements (Refer Note 5).

**(d) Adoption of new International Financial Reporting Standards**

Standards and interpretations effective for the current period

The International Financial Reporting Standards (IFRS), amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the Company are as follows:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 28, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Revised Conceptual Framework for Financial Reporting

The Company has not early adopted any other amendments, improvements and interpretations that have been issued but is not yet effective.

**New and revised IFRSs in issue but not yet effective and not early adopted**

The following amendments, improvements and interpretations that are assessed by Management as likely to have impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

**(d) Adoption of new International Financial Reporting Standards (contd.)**

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark – Phase 2 (1st January, 2021)
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a contract (1st January, 2022)
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (1st January, 2022)
- Annual Improvements to IFRS Standards 2018-2020
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (1st January, 2023).

**(e) Functional and presentation currency**

The financial statements are presented in UAE Dirhams ("AED") which is also Company's functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted, and which have been consistently applied, are as follows:

**(a) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated from the date the asset is available for use until it is de-recognised, using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Right-of-use assets | 3 years |
| Factory building | 10 years |
| Plant, machinery and equipment | 6 to 10 years |
| Furniture, fixtures and office equipment | 4 years |
| Motor vehicles | 3 years |

The Company has presented right-of-use assets representing right-of-use the underlying assets under property, plant and equipment [Refer Note 3(h) and 6].

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the expenditure will flow to the Company and such cost can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The carrying amount of replaced part is de-recognised.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other income / expenses' in profit or loss.

**(b) Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The cost of computer software is amortised over five years.

An assessment of amortisation method and useful lives is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the amortisation charge.

**(c) Impairment of tangible and intangible assets**

At each reporting date, the Management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the acquirer estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**(c) Impairment of tangible and intangible assets (contd.)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(d) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is arrived at using the Weighted Average Cost (WAC) method and comprises invoice value plus applicable landing charges less discounts. Net realisable value is based on estimated selling prices less any estimated cost of completion and disposal.

Finished goods and work-in-progress are stated at lower of cost and net realisable value. Cost comprises direct materials, labour and other attributable overheads.

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

Provision is made for end-of-service benefits payable to non-UAE national employees at the reporting date in accordance with the local labour laws.

**(f) Revenue**

The Company is in the business of manufacturing in duct and ducts accessories.

Revenue from contracts with customers is recognised when the control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company recognises revenue from contracts with customers based on five-step model as set out in IFRS 15:

1. Identify the contracts with customers. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to a customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligation in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the Company satisfies a performance obligation at a point of time or over time.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or a point of time in order to determine the appropriate method of recognising revenue.

***Sale of goods***

The Company has concluded that revenue from sale of goods should be recognised at a point in time when the control of the asset is transferred to the customer, generally on delivery of the goods.

**(g) Interest income**

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**(h) Leases**

***As a lessee***

The Company leases office and factory premises. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, however leased assets are not used as security for borrowing purposes.

***Right-of-use assets***

The Company recognises right-of-use assets at the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any reimbursement of lease liabilities. The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial costs; and
- restoration costs.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

***Lease liabilities***

The Company recognises lease liabilities at the commencement date of the lease. The lease liabilities are measured at the net present value of lease payments to be made over the lease term. The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

The Company uses its incremental borrowing rate as the discount rate in calculating the present value of lease payments and uses the incremental borrowing rate at the commencement date of the lease if the profit rate implicit in the lease is not readily determinable. Further, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance lease payments or a change in the assessment to purchase the underlying asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

***Short-term leases***

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank current accounts and bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit.

**(j) Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**(k) Provisions**

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

**(l) Value added tax**

As per Federal Decree-Law No. (08) of 2017, Value Added Tax (VAT) is charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person. The Company is required to file its VAT returns and compute the payable tax (which is output tax less input tax) for the allotted tax periods and deposit the same within the prescribed due dates of filing VAT return and tax payment.

**(m) Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period, or,
- Cash or cash equivalents 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:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or,

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

**(n) Financial instruments**

**Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrumental level.

The Company's business model for arranging financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cashflows, selling the financial assets, or both.

Financial liabilities are classified as financial liabilities at FVTPL or at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

**Recognition**

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

**(n) Financial instruments (contd.)**

***De-recognition***

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished, i.e., when obligation specified in the contract is discharged, cancelled or expired.

***Measurement***

A financial asset (unless it is trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transactions cost that are directly attributable to its acquisition. Transactions costs of financial assets carried at FVTPL are expensed in profit or loss.

All financial assets not classified as measured at amortised cost of FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets and liabilities.

*Financial assets at amortised cost*

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition) using the effective interest method. All other financial assets are subsequently measured at fair value.

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

The financial assets at amortised cost comprise trade and other receivables, other financial assets and cash and cash equivalents.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost comprise trade and other payables.

***Impairment of financial assets***

The Company recognised an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances are measured on either of the following basis:

- 12-month ECLs: ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs:

- Bank balances, other current financial assets and other receivables for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. The Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**(n) Financial instruments (contd.)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset. For financial assets carried at FVTOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

***Offsetting***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

***Equity***

Share capital is recorded at the value of proceeds received towards interest in share capital of the Company.

**(o) Fair value measurement**

The Company discloses the fair value of financial instruments measured at amortised cost.

The 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:

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

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

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits 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.

**4. SIGNIFICANT JUDGEMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES**

The significant judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

**Classification of financial assets**

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

**Impairment**

At each reporting date, Management conducts an assessment of property, plant, equipment and intangible assets and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

The Company applies ECL model to measure loss allowance in case of financial assets on the basis of 12-month ECLs or lifetime ECLs depending on credit risk characteristics and how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

**Leases**

*Determining the lease term*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

## 4. SIGNIFICANT JUDGEMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES (contd.)

The Company has the option, under some of its leases to lease the assets for additional years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. The Company considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

*Discounting of lease payments*

The lease payments are discounted using the Company's incremental borrowing rate ('IBR'), of 10%, due to the absence of implicit rates in the lease contracts.

Management has applied judgements and estimates to determine the IBR at the transition date, using borrowing rates that certain financial institutions would charge the Company against financing the different types of assets it leases over different terms and different ranges of values. IBR is further adjusted for Company's specific risk, term risk and underlying asset risk. Majority of leases are present in UAE and accordingly no adjustment for the economic environment was deemed required.

Most extension options in offices have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

**Recognition of revenue and allocation of transaction price**

*Identification of performance obligations*

The Company determined that the sale of goods is provided as a single component to customers and accordingly it becomes single performance obligation in respect of the goods being sold.

*Determine timing of satisfaction of performance obligation*

The Company concluded that the revenue from sales of goods is to be recognised at a point in time when the control of goods has transferred to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made 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 as follows:

***Carrying values of property, plant and equipment***

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

***Inventory provisions***

Management regularly undertakes a review of the Company's inventory, stated at AED 34,15,481 (₹ 6.81 crores) [(Previous year: AED 34,08,573 (₹ 6.62 crores)] in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, technological changes, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

***Impairment***

Assessments of net recoverable amounts of property, plant and equipment and intangible assets are based on assumptions regarding future cash flows expected to be received from the related assets.

***Impairment of financial assets***

The loss allowance for financial assets are based on assumptions about the risk of default and expected loss rates. The Management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3 (n).

***Impact of Covid-19***

Since the outbreak is evolving rapidly, the Company continues to assess the impact of Covid-19 on its operations on a regular basis. The Management believes that there exists a material uncertainty in respect of expected duration and its potential impact on the overall economy. However, the Management concluded that there is no significant impact of Covid-19 on its operations due to nature of Company's business activities.

***Measurement of ECL***

The amount of ECLs is sensitive to change in circumstances and economic conditions. The Company's historical credit loss experience and forecast conditions may not be the actual indication of customer's default in the future. Accordingly, the actual credit losses may be significantly different than those recorded in these financial statements if actual defaults and economic conditions are materially different than forecasted. The observed default rates and forward-looking information will be reassessed at each reporting date to consider the impact of Covid-19.

Based on the above factors, the Company has reassessed the expected credit losses on trade receivables and recorded loss allowance of AED 69,484 (₹ 0.14 crore) in the statement of profit or loss and other comprehensive income for the year ended 31st December 2020.

***Staff end-of-service benefits***

The Company computes the provision for the liability to staff end-of-service benefits stated at AED 11,70,322 (₹ 2.33 crores) [(Previous year: AED 8,87,046 (₹ 1.72 crore)] assuming that all employees were to leave as of the reporting date. The Management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite affects.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 6. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets | | Factory buildings | | Plant & Machinery and Equipment | | Furniture & Fixture and Office Equipment | | Motor vehicles | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AED | ₹ in '000s | AED | ₹ in '000s | AED | ₹ in '000s | AED | ₹ in '000s | AED | ₹ in '000s | AED | ₹ in '000s |
| Cost | | | | | | | | | | | | |
| At 1st January, 2019 | — | — | 9,16,833 | 17,447 | 33,91,213 | 64,535 | 3,49,627 | 6,653 | 3,20,000 | 6,090 | 49,77,673 | 94,725 |
| Additions | — | — | — | — | 58,805 | 1,131 | 35,523 | 683 | — | — | 94,328 | 1,814 |
| At 31st December, 2019 | — | — | 9,16,833 | 17,806 | 34,50,018 | 66,999 | 3,85,150 | 7,480 | 3,20,000 | 6,214 | 50,72,001 | 98,499 |
| Additions | 14,61,350 | 28,774 | — | — | 2,01,459 | 3,967 | — | — | — | — | 16,62,809 | 32,741 |
| **At 31st December, 2020** | **14,61,350** | **29,154** | **9,16,833** | **18,291** | **36,51,477** | **72,847** | **3,85,150** | **7,684** | **3,20,000** | **6,384** | **67,34,810** | **1,34,360** |
| **Accumulated depreciation** | | | | | | | | | | | | |
| At 1st January, 2019 | — | — | 9,12,739 | 17,369 | 32,49,889 | 61,845 | 3,22,451 | 6,136 | 3,17,999 | 6,052 | 48,03,078 | 91,402 |
| Depreciation | — | — | 1,366 | 27 | 28,731 | 552 | 22,118 | 425 | — | — | 52,215 | 1,004 |
| At 31st December, 2019 | — | — | 9,14,105 | 17,752 | 32,78,620 | 63,671 | 3,44,569 | 6,692 | 3,17,999 | 6,176 | 48,55,293 | 94,291 |
| Depreciation | 1,75,575 | 3,457 | 1,366 | 27 | 47,569 | 937 | 15,220 | 300 | — | — | 2,39,730 | 4,721 |
| **At 31st December, 2020** | **1,75,575** | **3,503** | **9,15,471** | **18,264** | **33,26,189** | **66,357** | **3,59,789** | **7,178** | **3,17,999** | **6,344** | **50,95,023** | **1,01,646** |
| **Carrying amount** | | | | | | | | | | | | |
| At 1st January, 2019 | — | — | 4,094 | 78 | 1,41,324 | 2,690 | 27,176 | 517 | 2,001 | 38 | 1,74,595 | 3,323 |
| At 31st December, 2019 | — | — | 2,728 | 54 | 1,71,398 | 3,328 | 40,581 | 788 | 2,001 | 38 | 2,16,708 | 4,208 |
| **At 31st December, 2020** | **12,85,775** | **25,651** | **1,362** | **27** | **3,25,288** | **6,490** | **25,361** | **506** | **2,001** | **40** | **16,39,787** | **32,714** |

**Note:** Right-of-use assets represents the right-of-use over leasehold factory building located in Jebel Ali Free Zone. Lease period being three years with renewal option. The lease hold interest in land is capitalised as right-of-use asset and the period is of fifteen years.

### 7. INTANGIBLE ASSETS

| | Computer software | |
|---|---|---|
| | AED | ₹ in '000s |
| **Cost** | | |
| At 1st January, 2019 | 1,69,524 | 3,226 |
| Additions | — | — |
| At 31st December, 2019 | 1,69,524 | 3,292 |
| Additions | — | — |
| **At 31st December, 2020** | **1,69,524** | **3,382** |
| **Accumulated amortisation** | | |
| At 1st January, 2019 | 70,344 | 1,339 |
| Amortisation | 29,882 | 575 |
| At 31st December, 2019 | 1,00,226 | 1,946 |
| Amortisation | 29,734 | 585 |
| **At 31st December, 2020** | **1,29,960** | **2,593** |
| **Carrying amount** | | |
| At 1st January, 2019 | 99,180 | 1,887 |
| At 31st December, 2019 | 69,298 | 1,346 |
| **At 31st December, 2020** | **39,564** | **789** |

| | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| **8. INVENTORIES** | | | | |
| Raw materials | **34,08,316** | 34,00,155 | **67,996** | 66,031 |
| Work-in-progress | **4,447** | 7,346 | **89** | 143 |
| Finished goods | **2,718** | 1,072 | **54** | 21 |
| | **34,15,481** | 34,08,573 | **68,139** | 66,195 |
| Less: Provision for slow moving inventories | **(4,76,898)** | (3,30,253) | **(9,514)** | (6,413) |
| | **29,38,583** | 30,78,320 | **58,625** | 59,782 |

A reconciliation of the movements in the provision for slow moving inventories is as follows:

| | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Balance as at 1st January | **3,30,253** | 3,30,253 | **6,413** | 6,285 |
| Provision made during the year | **1,46,645** | — | **2,887** | — |
| Balance as at 31st December | **4,76,898** | 3,30,253 | **9,514** | 6,413 |

| | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| **9. TRADE AND OTHER RECEIVABLES** | | | | |
| Trade receivables | **1,41,74,100** | 1,38,61,747 | **2,82,773** | 2,69,195 |
| Less: Allowance for expected credit losses | **(4,97,407)** | (4,27,923) | **(9,923)** | (8,310) |
| | **1,36,76,693** | 1,34,33,824 | **2,72,850** | 2,60,885 |
| Deposits | **1,76,336** | 1,37,306 | **3,518** | 2,666 |
| Employee advances | **8,000** | 24,400 | **160** | 474 |
| | **1,38,61,029** | 1,35,95,530 | **2,76,528** | 2,64,025 |

A reconciliation of the movements in the allowance for expected credit losses for trade receivables is as follows:

| | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Balance as at 1st January | **4,27,923** | 2,01,845 | **8,310** | 3,841 |
| Provisions made during the year | **69,484** | 2,26,078 | **1,368** | 4,347 |
| Balance as at 31st December | **4,97,407** | 4,27,923 | **9,923** | 8,310 |

The Company holds post-dated cheques amounting to AED 6,59,675 (₹ 1.32 crores) [Previous year: AED 12,27,292 (₹ 2.38 crores)] as security against past due but not impaired receivables.

| | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| **10. OTHER CURRENT ASSETS** | | | | |
| Prepayments | **2,61,928** | 5,06,097 | **5,226** | 9,828 |
| Advance for goods and services | **2,15,056** | 11,02,621 | **4,290** | 21,414 |
| VAT receivable (net) | **4,99,566** | 1,27,714 | **9,966** | 2,480 |
| | **9,76,550** | 17,36,432 | **19,482** | 33,722 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 11. RELATED PARTIES

The Company enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The Management considers such transactions to be in the normal course of business and at prices determined by the Management.

Related parties comprise the directors, parent company, branches of parent company and companies under common ownership and / or common management control.

At the reporting date, significant balances with related parties were as follows:

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **AED** | AED | **₹ in '000s** | ₹ in '000s |
| Trade and other receivables | **75,18,147** | 66,44,856 | **1,49,987** | 1,29,043 |
| Trade and other payables | **801** | — | **16** | — |

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in Note 30.

Significant transactions with related parties during the year were as follows:

| | **AED** | 2019 AED | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Revenue | **77,28,419** | 62,90,589 | **1,52,173** | 1,20,968 |
| Expenses charged to related parties (included in other operating income) | **4,60,064** | 15,95,487 | **9,059** | 30,681 |
| Salaries and expenses recharged by related parties (included in cost of sales and administrative expenses) | **19,33,289** | 29,46,457 | **38,066** | 56,660 |
| Recharge of staff end-of-service benefits to a related party | **—** | 65,848 | — | 1,266 |
| Dividend declared and paid | **—** | 7,50,000 | — | 14,273 |

Certain administrative and staff related services are availed from a related party as per agreed rates.

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **AED** | AED | **₹ in '000s** | ₹ in '000s |
| **12. OTHER FINANCIAL ASSETS** | | | | |
| Fixed deposits (a) | **3,97,954** | 3,97,674 | **7,939** | 7,722 |
| Margin deposits (b) and (c) | **3,25,000** | 3,25,000 | **6,484** | 6,312 |
| | **7,22,954** | 7,22,674 | **14,423** | 14,034 |

(a) Out of total deposits, AED 3,75,000 (₹ 0.75 crore) [Previous year: AED 3,75,000 (₹ 0.73 crore)] is held by bank as security for guarantees issued (Note 31).

(b) Out of total deposits, AED 25,000 (₹ 0.05 crore) [Previous year: AED 25,000 (₹ 0.05 crore)] is held by bank as security for guarantees issued (Note 31).

(c) Out of total deposits, AED 3,00,000 (₹ 0.60 crore) [Previous year: AED 3,00,000 (₹ 0.58 crore)] is held by bank as security for guarantees issued (Note 31).

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **AED** | AED | **₹ in '000s** | ₹ in '000s |
| **13. CASH AND CASH EQUIVALENTS** | | | | |
| Cash and cheques on hand | **2,854** | 2,854 | **57** | 55 |
| Bank balances: | | | | |
| Balances in current accounts | **12,37,376** | 11,81,994 | **24,686** | 22,955 |
| | **12,40,230** | 11,84,848 | **24,743** | 23,010 |

| | | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|---|
| **14.** | **SHARE CAPITAL** | | | | |
| | **Issued and paid up** | | | | |
| | 4,08,441 shares of USD 1 each (Previous year: 4,08,441 shares of USD 1 each) converted at USD 1 = AED 3.6725 | **15,00,000** | 15,00,000 | **29,925** | 29,130 |

**Note:** The entire share capital as at 31st December, 2020 is held by Voltas Limited, incorporated in India.

| | | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|---|
| **15.** | **PROVISION FOR STAFF END-OF-SERVICE BENEFITS** | | | | |
| | At 1st January | **8,87,046** | 8,63,064 | **17,226** | 16,425 |
| | Provision for the year | **2,78,440** | 1,92,763 | **5,482** | 3,707 |
| | Paid during the year | **(46,982)** | (1,02,933) | **(925)** | (1,979) |
| | Actuarial losses recognised in other comprehensive income | **51,818** | — | **1,020** | — |
| | Transfer to related party | — | (65,848) | — | (1,266) |
| | At 31st December | **11,70,322** | 8,87,046 | **23,348** | 17,227 |

| | | AED | As at 31-12-2019 AED | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|---|
| **16.** | **LEASE LIABILITIES** | | | | |
| | Lease liabilities for long-term leases for factory building and plot of land | **12,76,701** | — | **25,470** | — |
| | Disclosed in the statement of financial position as follows: | | | | |
| | Non-current liabilities | **8,22,873** | — | **16,416** | — |
| | Current liabilities | **4,53,828** | — | **9,054** | — |
| | | **12,76,701** | — | **25,470** | — |
| | A reconciliation of the movements in the lease liabilities is as follows: | | | | |
| | At 1st January | **14,35,558** | — | **27,879** | — |
| | Payments made during the year | **(1,58,857)** | — | **(3,128)** | — |
| | At 31st December | **12,76,701** | — | **25,470** | — |
| | A maturity analysis of lease liabilities is as follows: | | | | |
| | 1 month - 3 months | **1,02,980** | — | **2,055** | — |
| | 3 months - 1 year | **3,50,848** | — | **6,999** | — |
| | Presented as current liabilities | **4,53,828** | — | **9,054** | — |
| | 1 year - 5 years | **8,22,873** | — | **16,416** | — |
| | **Total** | **12,76,701** | — | **25,470** | — |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **AED** | AED | **₹ in '000s** | ₹ in '000s |
| **17. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **12,17,566** | 7,71,204 | **24,291** | 14,977 |
| Accruals | **8,63,027** | 20,56,489 | **17,218** | 39,937 |
| Accrued interest on leased liabilities | **15,296** | — | **305** | — |
| Security deposit received | **10,130** | 10,130 | **202** | 197 |
| | **21,06,019** | 28,37,823 | **42,016** | 55,111 |

The entire trade and other payables are due for payment in one year.

| | | | | |
|---|---|---|---|---|
| **18. OTHER CURRENT LIABILITIES** | | | | |
| Employee related accruals | **4,94,390** | 4,04,851 | **9,863** | 7,862 |

### 19. DIVIDEND

Dividend declared and paid during the year amount to AED Nil (₹ Nil) [Previous year: AED 7,50,000 (₹ 1.43 crores)] represents a dividend per share of AED Nil (₹ Nil) [Previous year: AED 1.84 (₹ 34.94) per share].

### 20. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to ensure that the Company continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Company is not subject to any externally imposed capital requirements.

Funds generated from internal accruals net of dividend declared / paid are retained in the business according to the business requirements and maintain capital at desired levels.

### 21. REVENUE

The Company generates revenue from the sale of goods at a point in time. The disaggregated revenue from contracts with customers by geographical segments, type of goods and sales channel is prescribed below. The Management believes that this best depicts the nature, amount, timing and uncertainty of the Company's revenue and cash flows.

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **AED** | AED | **₹ in '000s** | ₹ in '000s |
| **Primary Geographical segments** | | | | |
| - UAE | **1,60,78,570** | 2,19,85,372 | **3,16,587** | 4,22,779 |
| - Other Middle East countries | **13,53,001** | 1,08,310 | **26,641** | 2,083 |
| | **1,74,31,571** | 2,20,93,682 | **3,43,228** | 4,24,862 |
| **Major goods/service lines** | | | | |
| Revenue from manufacturing of duct and ducts accessories | **1,74,31,571** | 2,20,93,682 | **3,43,228** | 4,24,862 |
| **Timing of revenue recognition** | | | | |
| - At a point of time | **1,74,31,571** | 2,20,93,682 | **3,43,228** | 4,24,862 |

| | AED | 2019<br>AED | ₹ in '000s | 2019<br>₹ in '000s |
|---|---|---|---|---|
| **22. COST OF SALES** | | | | |
| Materials consumed | **60,68,359** | 71,26,361 | **1,19,486** | 1,37,040 |
| Sub-contract costs | **18,65,490** | 34,55,199 | **36,732** | 66,443 |
| Staff salaries and benefits (Note 27) | **36,00,251** | 41,80,215 | **70,889** | 80,386 |
| Staff end-of-service gratuity | **2,35,723** | 1,70,233 | **4,641** | 3,274 |
| Depreciation of property, plant and equipment (Note 28) | **2,31,851** | 42,281 | **4,565** | 813 |
| Amortisation (Note 29) | **870** | 1,018 | **17** | 19 |
| Short term lease expenses | **12,11,023** | 12,36,432 | **23,845** | 23,777 |
| Other direct costs | **19,56,939** | 15,55,082 | **38,532** | 29,904 |
| | **1,51,70,506** | 1,77,66,821 | **2,98,707** | 3,41,656 |
| Changes in inventory of work-in-progress and finished goods | **1,255** | (6,624) | **25** | (127) |
| | **1,51,71,761** | 1,77,60,197 | **2,98,732** | 3,41,529 |

| | AED | 2019<br>AED | ₹ in '000s | 2019<br>₹ in '000s |
|---|---|---|---|---|
| **23. OTHER INCOME** | | | | |
| Sale of scrap | **1,02,916** | 80,899 | **2,026** | 1,555 |
| Credit balance written back | **41,887** | — | **825** | — |
| Miscellaneous income | **5,84,104** | 15,38,877 | **11,501** | 29,593 |
| | **7,28,907** | 16,19,776 | **14,352** | 31,148 |

| | AED | 2019<br>AED | ₹ in '000s | 2019<br>₹ in '000s |
|---|---|---|---|---|
| **24. DISTRIBUTION COSTS** | | | | |
| Staff salaries and benefits (Note 27) | **4,01,094** | 2,86,662 | **7,898** | 5,513 |
| Staff end-of-service gratuity | **13,378** | 8,951 | **263** | 172 |
| Other expenses | **7,99,193** | 9,22,759 | **15,736** | 17,744 |
| | **12,13,665** | 12,18,372 | **23,897** | 23,429 |

| | AED | 2019<br>AED | ₹ in '000s | 2019<br>₹ in '000s |
|---|---|---|---|---|
| **25. ADMINISTRATIVE EXPENSES** | | | | |
| Staff salaries and benefits (Note 27) | **8,48,052** | 10,11,279 | **16,698** | 19,447 |
| Staff end-of-service gratuity | **29,339** | 13,579 | **578** | 261 |
| Depreciation of property, plant and equipment (Note 28) | **7,879** | 9,934 | **155** | 191 |
| Amortisation (Note 29) | **28,864** | 28,864 | **568** | 555 |
| Provision for slow moving inventories | **1,46,645** | — | **2,887** | — |
| Other expenses | **6,74,407** | 8,49,535 | **13,280** | 16,337 |
| | **17,35,186** | 19,13,191 | **34,166** | 36,791 |
| **25A. IMPAIRMENT OF FINANCIAL ASSETS** | | | | |
| On trade receivables | **69,484** | 2,26,078 | **1,368** | 4,347 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 26. INTEREST INCOME

| | **AED** | 2019 AED | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| On bank deposits | **414** | 4,091 | **8** | 79 |

### 27. STAFF SALARIES AND BENEFITS

| | **AED** | 2019 AED | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Allocated to cost of sales (Note 22) | **36,00,251** | 41,80,215 | **70,889** | 80,386 |
| Allocated to distribution costs (Note 24) | **4,01,094** | 2,86,662 | **7,898** | 5,513 |
| Allocated to administrative expenses (Note 25) | **8,48,052** | 10,11,279 | **16,698** | 19,447 |
| | **48,49,397** | 54,78,156 | **95,485** | 1,05,346 |

### 28. DEPRECIATION

| | **AED** | 2019 AED | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Allocated to cost of sales * (Note 22) | **2,31,851** | 42,281 | **4,565** | 813 |
| Allocated to administrative expenses (Note 25) | **7,879** | 9,934 | **155** | 191 |
| | **2,39,730** | 52,215 | **4,720** | 1,004 |

*Includes depreciation on Right-of-use asset of AED 1,75,575 (₹ 0.35 crore) [Previous year: AED Nil (₹ Nil)].

### 29. AMORTISATION

| | **AED** | 2019 AED | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Allocated to cost of sales (Note 22) | **870** | 1,018 | **17** | 18 |
| Allocated to administrative expenses (Note 25) | **28,864** | 28,864 | **568** | 555 |
| | **29,734** | 29,882 | **585** | 574 |

### 30. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

| | **At Amortised Cost** | | | |
|---|---|---|---|---|
| | **AED** | 2019 AED | **₹ in '000s** | 2019 ₹ in '000s |
| **Financial assets** | | | | |
| Trade and other receivables | **1,38,61,029** | 1,35,95,530 | **2,76,528** | 2,64,025 |
| Cash and cash equivalents | **12,40,230** | 11,84,848 | **24,743** | 23,010 |
| Other financial assets | **7,22,954** | 7,22,674 | **14,423** | 14,034 |
| | **1,58,24,213** | 1,55,03,052 | **3,15,694** | 3,01,069 |
| **Financial liabilities** | | | | |
| Trade and other payables | **21,06,019** | 28,37,823 | **42,016** | 55,111 |
| Lease liabilities (current and non-current) | **12,76,701** | — | **25,470** | — |
| | **33,82,720** | 28,37,823 | **67,486** | 55,111 |

**30. Financial Instruments (contd.)**

**Management of Risk**

The Management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Company's credit risk management, where it is considered necessary, such receivables are covered by letters of credit in favour of the Company, issued by high credit quality financial institutions.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

The Company buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US Dollars to which the UAE Dirham is pegged.

Exposures to the aforementioned risks are detailed below.

**Credit risk**

Financial assets that potentially expose the Company to concentrations of credit risk comprise principally cash and cash equivalents, other financial assets and trade and other receivables.

The Company's bank accounts are placed with high credit quality financial institutions.

The Management assesses the credit risk arising from trade and other receivables (including receivables from related parties) taking into account their financial position, past experience and other factors. Based on the assessment individual risk limits are determined.

At the reporting date, the Company's maximum exposure to credit risk from such receivables including receivables from related parties situated outside the U.A.E. is as follows:

| | **AED** | 2019<br>AED | **₹ in '000s** | 2019<br>₹ in '000s |
|---|---|---|---|---|
| Kingdom of Saudi Arabia | **1,45,505** | 1,94,867 | **2,903** | 3,784 |
| Sultanate of Oman | **32,93,572** | 31,08,111 | **65,707** | 60,360 |
| Bahrain | **6,000** | 6,000 | **120** | 117 |
| Qatar | **8,86,626** | 6,744 | **17,688** | 131 |

At the reporting date, 71% of trade receivables were due from four customers (Previous year: 67% due from three customers) [including related parties].

At the reporting date, there is no significant concentration of credit risk from any particular industry as the Company's customers are from diverse industries.

The Company uses an allowance matrix to measure the expected credit losses of trade receivables. Loss rates are calculated using a 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Flow rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**30. Financial Instruments (contd.)**

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables from individual customers as at reporting date.

| | Loss rate | | Gross carrying amount | | | | Loss Allowance | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | | 2019 | | 2019 | | 2019 | | 2019 |
| | **%** | % | **AED** | AED | **₹ in '000s** | ₹ in '000s | **AED** | AED | **₹ in '000s** | ₹ in '000s |
| Not past due | **0.00%** | 0.00% | **34,59,615** | 34,84,413 | **69,019** | 67,667 | — | — | — | — |
| 30 - 60 days past due | **0.00%** | 10.04% | **21,49,196** | 16,29,716 | **42,876** | 31,649 | — | 1,63,700 | — | 3,179 |
| 61 - 90 days past due | **0.00%** | 4.12% | **8,37,456** | 12,60,306 | **16,707** | 24,475 | — | 51,900 | — | 1,008 |
| 91 - 180 days past due | **0.00%** | 0.00% | **14,59,520** | 14,15,330 | **29,117** | 27,486 | — | — | — | — |
| 181 - above days past due | **7.94%** | 3.49% | **62,68,313** | 60,71,982 | **1,25,053** | 1,17,918 | **4,97,704** | 2,12,323 | **9,929** | 4,123 |
| | | | **1,41,74,100** | 1,38,61,747 | **2,82,772** | 2,69,195 | **4,97,704** | 4,27,923 | **9,929** | 8,310 |

Loss rates are based on actual loss experience over the past 3 years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

**Currency risk**

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

**Interest rate risk**

Fixed deposit accounts are subject to fixed interest rates at levels generally obtained in the U.A.E. and hence exposed to fair value interest rate risk.

**Fair Values**

The Management assesses the fair values of all its financial assets and financial liabilities at each reporting date.

The fair values of cash and cash equivalents, trade and other receivables, other current financial assets and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

**31. CONTINGENT LIABILITIES**

| | **AED** | 2019 AED | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Bankers' letters of guarantee (Note 12) | **7,00,000** | 7,00,000 | **13,965** | 13,594 |
| Unutilised balances of commercial letters of credit (Note 12) | **10,90,904** | 20,58,531 | **21,764** | 39,977 |

**32. TAXATION**

As a non-resident Company, there is no charge to Isle of Man Income Tax.

**33. COMPARATIVE INFORMATION**

Previous year's amounts have been regrouped / reclassified as it is considered that the revised grouping / classification, which has been adopted in the current accounting year, more fairly presents the state of affairs / results of operations.

*Directors*

**Anil George**

*Dubai, 27th April, 2021* **A. R. Suresh Kumar**

# SAUDI ENSAS COMPANY FOR ENGINEERING SERVICES W.L.L.

Director :
**Mohammad Rashid**

Supervisory Board :
**Anil George**
**A. R. Suresh Kumar**

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Directors present their Annual Report and the Accounts for the year ended 31st December, 2020.

2. The Company has reported higher turnover of Saudi Riyals (SR) 22.281 million for the year under review, as compared to SR 21.700 million in the previous year. Net profit for the year was SR 0.793 million as compared to loss of SR 0.695 million last year.

3. Despite the difficult times owing to the on-going COVID-19 pandemic, the Company secured new orders worth SR 24.262 million during the year under review and the overall order book position as at 31st December, 2020 was SR 12.141 million. The Shareholders have agreed to provide necessary support, including additional funding if so required to the Company and the financial statements for the year ended 31st December, 2020 have been prepared on the basis that the Company will continue as a going concern.

4. M/s. PKF Ibrahim Ahmed Al-Bassam & Co., Certified Public Accountants, the retiring auditors, being eligible, offer themselves for re-appointment.

**Mohammad Rashid**
*Director*

*Jeddah, 22nd April, 2021*

## INDEPENDENT AUDITOR'S REPORT

**TO THE PARTNERS' OF**
**SAUDI ENSAS COMPANY FOR ENGINEERING SERVICES W.L.L.**
**(FOREIGN LIMITED LIABILITY COMPANY)**

**Report on the Audit of Financial Statements**

**Opinion**

We have audited the financial statements of **Saudi Ensas Company for Engineering Services W.L.L.** (the "Company"), which comprise the statement of financial position as at 31st December, 2020, the statements of profit or loss and other comprehensive income, statement of changes in Partner's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 26 in the financial statements, which indicates that the Company's current liabilities exceeded its current assets by SR 3,43,107 (₹ 0.67 crore) [2019: SR 15,46,946 (₹ 2.94 crores)] and the accumulated losses amounting to SR 2,88,27,422 (₹ 56.30 crores) as at 31st December, 2020 [2019: SR 2,93,77,046 (₹ 55.88 crores)], exceeded the Company's share capital.

In compliance with the Regulations for Companies, the partners are therefore required to resolve to continue in business and provide support for the Company or liquidate the Company. The ability of the Company to continue as a going concern is dependent upon the partners' continued adequate financing and profitable future operations.

The partners have resolved in their meeting dated 28th December, 2020, to provide additional financing to the Company to support the continuation of the Company. The accompanying financial statements have been prepared on the assumptions that the Company will continue as a going concern and accordingly, does not include any adjustments that might result should the Company not be able to continue as a going concern. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's Articles of Association and the applicable requirements of Company's regulations, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulation for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association in so far as they affect the preparation and presentation of the financial statements.

**For Al-Bassam & Co.**

Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No. 477

*Jeddah, 22nd April, 2021*

# STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2020

| | | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|---|
| **ASSETS** | Note | **SR** | SR | **₹ in '000s** | ₹ in '000s |
| **NON-CURRENT ASSETS** | | | | | |
| Retentions receivables non-current portion | 5 | **12,63,914** | 15,14,316 | **24,685** | 28,802 |
| Property and equipment | 6 | **70,275** | 90,936 | **1,372** | 1,730 |
| **Total non-current assets** | | **13,34,189** | 16,05,252 | **26,057** | 30,532 |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 7 | **3,61,595** | 4,66,922 | **7,062** | 8,881 |
| Trade receivables, net | 8 | **13,37,694** | 27,83,392 | **26,125** | 52,940 |
| Unbilled revenues, net | 9 | **56,06,993** | 33,12,549 | **1,09,505** | 63,005 |
| Retentions receivable current portion | 5 | **27,98,530** | 24,69,830 | **54,655** | 46,976 |
| Due from related party | 16 | **4,83,000** | — | **9,433** | — |
| Prepayments and other debit balances | 10 | **15,06,712** | 3,35,493 | **29,426** | 6,381 |
| **Total current assets** | | **1,20,94,524** | 93,68,186 | **2,36,206** | 1,78,183 |
| **TOTAL ASSETS** | | **1,34,28,713** | 1,09,73,438 | **2,62,263** | 2,08,715 |
| **PARTNER'S EQUITY AND LIABILITIES** | | | | | |
| **PARTNER'S EQUITY** | | | | | |
| Share capital | 11 | **2,61,50,000** | 2,61,50,000 | **5,10,710** | 4,97,373 |
| Statutory reserve | 12 | **9,59,649** | 9,59,649 | **18,742** | 18,253 |
| Accumulated losses | | **(2,88,27,422)** | (2,93,77,046) | **(5,63,000)** | (5,58,751) |
| **Total partner's equity** | | **(17,17,773)** | (22,67,397) | **(33,548)** | (43,125) |
| **NON-CURRENT LIABILITIES** | | | | | |
| Employees' post-employment benefits | 13 | **27,08,855** | 23,25,703 | **52,904** | 44,235 |
| **Total non-current liabilities** | | **27,08,855** | 23,25,703 | **52,904** | 44,235 |
| **CURRENT LIABILITIES** | | | | | |
| Bank borrowings | 14 | **20,18,978** | 17,56,195 | **39,431** | 33,403 |
| Trade payables | | **43,97,268** | 39,60,301 | **85,878** | 75,324 |
| Contract advances | | **26,06,987** | 27,07,609 | **50,914** | 51,499 |
| Accrued expenses and other credit balances | 15 | **16,79,198** | 9,48,374 | **32,795** | 18,038 |
| Due to related parties | 16 | **13,57,186** | 15,42,653 | **26,506** | 29,341 |
| Income tax payable | 17 | **3,78,013** | — | **7,383** | — |
| **Total current liabilities** | | **1,24,37,631** | 1,09,15,132 | **2,42,907** | 2,07,605 |
| **TOTAL LIABILITIES** | | **1,51,46,486** | 1,32,40,835 | **2,95,811** | 2,51,840 |
| **TOTAL PARTNERS' EQUITY AND LIABILITIES** | | **1,34,28,713** | 1,09,73,438 | **2,62,263** | 2,08,715 |

The accompanying notes from 1-28 form an integral part of these financial statements.

**Note**: The Statement of Financial Position has been converted into Indian Rupees @ 1 Saudi Riyal (SR) = ₹ 19.53 being the exchange rate prevailing as on 31st December, 2020. Previous year figures have been converted @ 1 SR = 19.02 being the exchange rate prevailing as on 31st December, 2019.

*Jeddah, 22nd April, 2021* *Director* **Mohammad Rashid**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | Note | **SR** | 2019 SR | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|---|
| **Contract revenues** | | **2,22,80,602** | 2,17,00,187 | **4,29,570** | 4,08,615 |
| Contract costs | 18 | **(1,70,41,372)** | (1,90,30,169) | **(3,28,558)** | (3,58,338) |
| **Gross profit** | | **52,39,230** | 26,70,018 | **1,01,012** | 50,277 |
| General and administrative expenses | 19 | **(39,37,083)** | (33,60,942) | **(75,907)** | (63,287) |
| **Operating profit / (loss)** | | **13,02,147** | (6,90,924) | **25,105** | (13,010) |
| Finance costs | | **(1,40,919)** | (5,910) | **(2,717)** | (111) |
| Other income | 20 | **9,730** | 2,242 | **188** | 42 |
| **Net profit / (loss) before income tax** | | **11,70,958** | (6,94,592) | **22,576** | (13,079) |
| Income tax | 17 | **(3,78,013)** | — | **(7,288)** | — |
| **NET PROFIT / (LOSS) FOR THE YEAR** | | **7,92,945** | (6,94,592) | **15,288** | (13,079) |
| | | | | | |
| **OTHER COMPREHENSIVE INCOME:** | | | | | |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* | | | | | |
| Re-measurement (loss) on employees' post-employment benefits | 13 | **(2,43,321)** | (1,02,869) | **(4,691)** | (1,937) |
| **TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR** | | **5,49,624** | (7,97,461) | **10,597** | (15,016) |

The accompanying notes from 1-28 form an integral part of these financial statements.

**Note:** The Statement of Profit or Loss has been converted into Indian Rupees @ 1 SR = ₹ 19.28 being the average of the exchange rates prevailing as on 31st December, 2019 (1 SR = ₹ 19.02) and as on 31st December, 2020 (1 SR = ₹ 19.53). Previous year figures have been converted into Indian Rupees @ 1 SR = ₹ 18.83 being the average of the exchange rates prevailing as on 31st December, 2018 (1 SR = ₹ 18.63) and as on 31st December, 2019 (1 SR = ₹ 19.02).

*Jeddah, 22nd April, 2021* *Director* **Mohammad Rashid**

## STATEMENT OF CHANGES IN PARTNERS' EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | **Share Capital** | | **Statutory Reserve** | | **Accumulated Losses** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **SR** | **₹ in '000s** | **SR** | **₹ in '000s** | **SR** | **₹ in '000s** | **SR** | **₹ in '000s** |
| Balance as at 1st January, 2019 | 2,61,50,000 | 4,87,175 | 9,59,649 | 17,878 | (2,85,79,585) | (5,32,438) | (14,69,936) | (27,385) |
| Net loss for the year | — | — | — | — | (6,94,592) | (13,079) | (6,94,592) | (13,079) |
| Re-measurement (loss) on employees' post-employment benefits | — | — | — | — | (1,02,869) | (1,937) | (1,02,869) | (1,937) |
| Balance as at 31st December, 2019 | 2,61,50,000 | 4,97,373 | 9,59,649 | 18,253 | (2,93,77,046) | (5,58,751) | (22,67,397) | (43,125) |
| Balance at 1st January, 2020 | 2,61,50,000 | 4,97,373 | 9,59,649 | 18,253 | (2,93,77,046) | (5,58,751) | (22,67,397) | (43,125) |
| Net profit for the year | — | — | — | — | 7,92,945 | 15,288 | 7,92,945 | 15,288 |
| Re-measurement (loss) on employees' post-employment benefits | — | — | — | — | (2,43,321) | (4,691) | (2,43,321) | (4,691) |
| **Balance as at 31st December, 2020** | **2,61,50,000** | **5,10,710** | **9,59,649** | **18,742** | **(2,88,27,422)** | **(5,63,000)** | **(17,17,773)** | **(33,548)** |

The accompanying notes from 1-28 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **SR** | SR | **₹ in '000s** | ₹ in '000s |
| **OPERATING ACTIVITIES** | | | | |
| Net profit / (loss) before income tax | **11,70,958** | (6,94,592) | **22,576** | (13,079) |
| Adjustments for: | | | | |
| Depreciation | **24,977** | 20,678 | **482** | 389 |
| Allowance for doubtful debts | **12,29,660** | 1,62,484 | **23,708** | 3,060 |
| Allowance for unbilled revenue | — | 4,84,411 | — | 9,121 |
| Employees' post-employment benefits | **2,00,923** | 1,98,412 | **3,874** | 3,737 |
| Finance costs | **1,40,919** | 5,910 | **2,717** | 111 |
| | **27,67,437** | 1,77,303 | **53,357** | 3,339 |
| Changes in operating assets and liabilities: | | | | |
| Trade receivable, net | **2,16,038** | (7,77,186) | **2,717** | (15,628) |
| Retentions receivable | **(78,298)** | (10,94,586) | **(3,561)** | (21,946) |
| Prepayments and other debit balances | **(11,71,218)** | (20,616) | **(23,045)** | (515) |
| Unbilled revenues, net | **(22,94,444)** | 1,57,113 | **(46,500)** | 1,446 |
| Due to related parties | **(6,68,467)** | (20,63,776) | **(12,268)** | (37,847) |
| Account payables | **4,36,967** | 19,02,529 | **10,554** | 36,989 |
| Accrued expenses and other credit balances | **7,30,824** | 1,72,889 | **14,757** | 3,591 |
| Contract advances | **(1,00,622)** | 20,59,007 | **(584)** | 39,415 |
| Cash (used in) / generated from operations | **(1,61,783)** | 5,12,677 | **(3,160)** | 9,751 |
| Finance costs paid | **(1,40,919)** | (5,910) | **(2,717)** | (111) |
| Employees' post-employment benefits paid | **(61,092)** | (2,39,715) | **(1,178)** | (4,514) |
| **Net cash flows (used in) / generated from operating activities** | **(3,63,794)** | 2,67,052 | **(7,105)** | 5,079 |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of property and equipment | **(4,316)** | (68,258) | **(83)** | (1,285) |
| **Net cash flows used in investing activities** | **(4,316)** | (68,258) | **(84)** | (1,298) |
| **FINANCING ACTIVITIES** | | | | |
| Bank borrowings | **2,62,783** | 1,76,993 | **6,028** | 3,982 |
| **Net cash flows generated from financing activities** | **2,62,783** | 1,76,993 | **5,132** | 3,366 |
| **Net change in cash and cash equivalents** | **(1,05,327)** | 3,75,787 | **(1,819)** | 7,183 |
| **Cash and cash equivalents, at beginning of the year** | **4,66,922** | 91,135 | **8,881** | 1,698 |
| **Cash and cash equivalents, at end of the year** | **3,61,595** | 4,66,922 | **7,062** | 8,881 |

The accompanying notes from 1-28 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

## 1. ORGANIZATION AND ACTIVITIES

Saudi Ensas Company for Engineering Services W.L.L. ("the Company") was incorporated as Saudi limited liabilities company in accordance with the provisions of the Saudi Foreign Capital Investment Code and was registered on 16 Dhual-Qa'dah, 1398H (19th October, 1978) under Commercial Registration No. 4030016635. The Company obtained its SAGIA license number 112030054332-01, on 14 Jumadi Awal, 1410H (13th December, 1989).

The principal activities of the Company are to design, installation, operation and maintenance of air conditioning and refrigeration systems, other electro-mechanical activities and building a workshop for its activities in accordance with the license issued by the Ministerial Decision No. 250 dated 4/12/1405H (21st August, 1985).

The Company was owned 39% by Metrovol Company, a wholly owned subsidiary of Voltas Limited, registered in United Arab Emirates ('U.A.E.') and 61% by Voltas Limited, a company registered in India. During 2011, Metrovol Company was liquidated in U.A.E. and Voltas Limited had initiated the legal process in the Kingdom of Saudi Arabia to transfer the shareholding held in Metrovol Company to Voltas Netherlands B.V., a wholly owned subsidiary of Voltas Limited, registered in The Netherlands. The Company is now owned 92% by Voltas Limited, a company registered in India and 8% by Voltas Netherlands B.V., a wholly owned subsidiary of Voltas Limited, registered in The Netherlands.

On 22nd October, 2015, the shareholders resolved to increase the Company's share capital from SR 26,00,000 to SR 2,61,50,000, to be owned in the same proportion as prior to the increase.

The Company's head office is in Jeddah, together with a branch in Riyadh, which is registered under Commercial Registration No. 074776 dated 14/5/1410H (13th December, 1989).

The result, assets and liabilities of the Riyadh branch are included in these financial statements.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements of Saudi Ensas Company for Engineering Services W.L.L have been prepared in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities' (IFRS for SMEs) that are endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA) in the Kingdom of Saudi Arabia. The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the combined financial statements are disclosed in Note 4.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost conventions, except for post-employment benefits which are recognized at the present value of future obligation using Projected Unit Credit Method. Further, the financial statements are prepared using the accrual basis of accounting and the going concern assumption.

### 2.3 Functional and presentation currency

Items included in the financial statement are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Saudi Riyals' (SR), which is the Company's functional and the Company's presentation currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The following is a summary of significant accounting policies applied by the Company;

### (a) Account receivables

Account receivables are carried at original invoice amount less any allowance for doubtful accounts, if any. Any allowance for doubtful accounts is established when there is a significant doubt as to whether the Company will be able to collect all amounts due according to the original terms of accounts receivable.

### (b) Financial assets

#### (i) Recognition and de-recognition

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### (ii) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Financial assets at fair value through profit or loss are subsequently carried at fair value.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)**

**Loans and receivables**

Loans and receivables of the Company comprise accounts receivables and prepayments and other balance receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest method.

(iii) **Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial assets, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying value of the assets is reduced through the use of an allowance account and the amount of the loss is recognized in the profit and loss account. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down allowance is reversed through the profit and loss account.

(iv) **Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of assets (an incurred 'loss event') and that loss event (or events) has an impact on estimated future cash flow of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indication that the borrower or group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payment and where observable data indicates there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with defaults, if any.

**(c) Financial liabilities**

(i) **Initial recognition**

Financial liabilities (including borrowings and trade and other payables) are classified as financial liabilities at fair value through profit or loss or as loans and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings fair value of the consideration received less directly attributable transaction costs.

(ii) **Measurement**

**Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings (including trade and other payables) are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the statement of income when the liabilities are de-recognised as well as through the amortization process.

**De-recognition**

A financial liability is de-recognised 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

(iii) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**(d) Property and equipment**

Property and equipment are carried at the cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)**

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives:

| | |
|---|---|
| Machinery | 15% |
| Furniture and fixtures | 20% |
| Office equipment | 15% |
| Vehicles | 20% |
| Portacabins | 10% |

Capital work-in-progress represents all costs relating directly and indirectly to the on-going projects in progress and is capitalized as the property and equipment when the project is completed. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of profit or loss.

**(e) Impairment of non-financial assets other than inventories**

Assets that are subject to depreciation or amortisation are assessed, at each reporting date, to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset might be impaired, the carrying value of the asset (or CGU to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Any impairment loss for a cash generating unit is first allocated to goodwill and then to other assets on pro rata basis. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

If an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

**(f) Foreign currency transactions**

Transactions in foreign currencies (which are not covered by a forward foreign exchange contract) are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

**(g) Account Payable and Accruals**

Liabilities are recognized for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

**(h) Borrowing costs**

All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

**(i) Provisions and contingencies**

Provisions are recognized when the Company has an obligation at the reporting date as a result of a past event and it is probable that the Company will be required to transfer economic benefits in settlement and amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to a specific obligation. The increase in the provision due to the passage of time is recognized as interest expenses. Provisions are not recognized for future operating losses. Contingent assets and contingent liabilities are not recognized.

**(j) General and Administrative Expenses**

All expenses other than cost of revenues are classified as general and administration expenses.

**(k) Revenue Recognition – Construction contracts**

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract.

When the current estimate of total contract costs and revenues indicate a loss, provision for expected losses is made for the entire loss on the contract irrespective of the amount of work performed. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that is probable will be recovered and contract costs are recognized as an expense in the period in which they are incurred.

Revenue recognized in excess of billings included in the current assets represents the cost incurred plus recognized profits (less recognized losses) that exceed the progress billings as of the balance sheet date. These amounts of revenue will be billed in the subsequent period. Billings in excess of revenue recognized included in current liabilities represent the progress billings that exceed costs incurred plus recognized profit (less recognized losses) to date.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)**

**(l) Employee's post-employment benefits**

The liability or asset recognised in the statement of financial position is in respect of defined benefit. EOSB plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Past service costs are recognized immediately as an expense.

Actuarial gains or losses are recognised in the statement of comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the statement of comprehensive income when the Company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of comprehensive income and accumulated losses, the expense relating to defined benefit plan is presented of the amount recognised for a reimbursement.

**(m) Termination benefits**

The entity recognised the expense and corresponding liability for termination benefits when it is demonstrably committed to either of the following scenarios.

The termination of the employment of an employee or group of employees before the normal retirement age, or the provision of termination benefits in relation to an offer made to encourage voluntary redundancy.

The value of such benefit is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

**(n) Income tax charges**

Tax provision and related annual charge are accounted for and disclosed in the accompanying financial statements in accordance with the Standard on Zakat issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). Tax return is prepared based on the Tax regulations of the General Authority of Zakat and Tax (GAZT) of the Kingdom of Saudi Arabia. Tax charge is taken to the statement of income.

**(o) Leases**

At its inception, a lease is classified either a finance lease or an operating lease. Finance leases transfer substantially all risks and rewards of ownership. All other leases are classified as operating leases.

**(p) Finance leases**

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in the borrowings in the statement of financial position.

**(q) Operating leases**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Minimum lease payments receivable under operating leases are recognized as revenue on a straight-line basis over the term of the lease.

**(r) Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits and highly liquid investments with original maturities of three months or less. As on 31st December, 2020, cash and cash equivalents consist entirely of cash and bank balances.

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

In the application of the Company's accounting policies, which are described in Note 3, the Management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if, the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations described below, that the Management have made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognized in the financial statements.

*Long-service payments*

In determining the liability for long-service payments (explained in Note 13), Management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation and the number of employees expected to leave before they receive the benefits.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

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

*Allowance for accounts receivable*

Management has estimated the recoverability of accounts receivable and has considered the allowance required. Management has estimated the allowance for accounts receivable on the basis of prior experience and the current economic environment on the recovery of long outstanding accounts receivable. Estimating the amount of the allowance requires significant judgement and the use of estimates related to the amount and timing of estimated losses based on historical loss experience, current disputes, consideration of current economic trends and conditions, all of which may be susceptible to significant change. An allowance is charged to operations based on Management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. To the extent actual outcomes differ from Management estimates, additional allowance for doubtful debts or reversal of excess provisions could be made that could adversely or positively affect earnings or the financial position in future periods.

*Useful lives of property and equipment*

As described in Note 3, the Company estimates the useful lives of property and equipment at the end of each annual reporting period.

*Provision for tax*

Management has assessed the income tax position having regard to the local zakat and income tax legislation, decrees issued periodically and conventions. Interpretation of such legislation, decrees, and conventions is not always clear and entails completion of assessment by GAZT.

### 5. RETENTIONS RECEIVABLE – NON-CURRENT PORTION

The non-current portion of retentions receivable represents retentions that have been withheld by the contract owners from payments due to the Company and which will be collected in a period exceeding one year from the reporting date.

| | **SR** | 2019<br>SR | **₹ in '000s** | 2019<br>₹ in '000s |
|---|---|---|---|---|
| Retention receivables | **40,62,444** | 39,84,146 | **79,340** | 75,778 |
| Less: Current portion | **(27,98,530)** | (24,69,830) | **(54,655)** | (46,976) |
| Non-current portion | **12,63,914** | 15,14,316 | **24,685** | 28,802 |

The impact of discounting the non-current retentions receivable to be presented at their fair value as on 31st December, 2020 has not been accounted for as the Company's Management believes that the amount is immaterial.

### 6. Property and Equipment

| | Machinery | | Furniture and fixtures | | Office equipment | | Vehicles | | Porta cabins | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SR | ₹ in '000s | SR | ₹ in '000s | SR | ₹ '000s | SR | ₹ in '000s | SR | ₹ in '000s | SR | ₹ in '000s |
| **Cost** | | | | | | | | | | | | |
| **1st January, 2020** | 5,56,669 | 10,588 | 3,72,614 | 7,087 | 9,91,352 | 18,856 | 1,45,500 | 2,767 | 55,630 | 1,058 | 21,21,765 | 40,356 |
| Additions | 980 | 19 | — | — | 3,336 | 64 | — | — | — | — | 4,316 | 83 |
| **31st December, 2020** | **5,57,649** | **10,891** | **3,72,614** | **7,277** | **9,94,688** | **19,426** | **1,45,500** | **2,842** | **55,630** | **1,086** | **21,26,081** | **41,522** |
| **Depreciation** | | | | | | | | | | | | |
| **1st January, 2020** | 5,38,156 | 10,236 | 3,72,614 | 7,087 | 9,18,929 | 17,478 | 1,45,500 | 2,767 | 55,630 | 1,058 | 20,30,829 | 38,626 |
| Depreciation for the year | 4,695 | 91 | — | — | 20,282 | 391 | — | — | — | — | 24,977 | 482 |
| **31st December, 2020** | **5,42,851** | **10,602** | **3,72,614** | **7,277** | **9,39,211** | **18,343** | **1,45,500** | **2,842** | **55,630** | **1,086** | **20,55,806** | **40,150** |
| **Net book value** | | | | | | | | | | | | |
| **As of 31st December, 2020** | **14,798** | **289** | — | — | **55,477** | **1,083** | — | — | — | — | **70,275** | **1,372** |
| As at 31st December, 2019 | 18,513 | 352 | — | — | 72,423 | 1,378 | — | — | — | — | 90,936 | 1,730 |

**6. PROPERTY AND EQUIPMENT (contd.)**

| | Machinery | | Furniture and fixtures | | Office equipment | | Vehicles | | Portacabins | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SR | ₹ in '000s | SR | ₹ in '000s | SR | ₹ in '000s | SR | ₹ in '000s | SR | ₹ in '000s | SR | ₹ in '000s |
| **Cost** | | | | | | | | | | | | |
| 1st January, 2019 | 5,41,709 | 10,092 | 3,72,614 | 6,942 | 9,38,054 | 17,476 | 1,45,500 | 2,711 | 55,630 | 1,036 | 20,53,507 | 38,257 |
| Additions | 14,960 | 282 | — | — | 53,298 | 1,004 | — | — | — | — | 68,258 | 1,286 |
| 31st December, 2019 | 5,56,669 | 10,588 | 3,72,614 | 7,087 | 9,91,352 | 18,856 | 1,45,500 | 2,767 | 55,630 | 1,058 | 21,21,765 | 40,356 |
| **Depreciation** | | | | | | | | | | | | |
| 1st January, 2019 | 5,34,078 | 9,950 | 3,72,614 | 6,942 | 9,02,329 | 16,810 | 1,45,500 | 2,711 | 55,630 | 1,036 | 20,10,151 | 37,449 |
| Depreciation for the year | 4,078 | 77 | — | — | 16,600 | 313 | — | — | — | — | 20,678 | 390 |
| 31st December, 2019 | 5,38,156 | 10,236 | 3,72,614 | 7,087 | 9,18,929 | 17,478 | 1,45,500 | 2,767 | 55,630 | 1,058 | 20, 30,829 | 38,626 |
| **Net book value** | | | | | | | | | | | | |
| As of 31st December, 2019 | 18,513 | 352 | — | — | 72,423 | 1,378 | — | — | — | — | 90,936 | 1,730 |
| As at 31st December, 2018 | 7,631 | 142 | — | — | 35,725 | 666 | — | — | — | — | 43,356 | 808 |

**7. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash, cash at bank and demand deposits, with original maturities of three months or less.

| | **SR** | As at 31-12-2019 SR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Cash at bank | **3,61,595** | 4,66,922 | **7,062** | 8,881 |

**8. TRADE RECEIVABLES, NET**

| | **SR** | As at 31-12-2019 SR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Accounts receivable | **27,29,838** | 29,45,876 | **53,314** | 56,030 |
| Allowance for doubtful debts | **(13,92,144)** | (1,62,484) | **(27,189)** | (3,090) |
| | **13,37,694** | 27,83,392 | **26,125** | 52,940 |

The following provision movement during the year is as follows:

| | **SR** | As at 31-12-2019 SR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Balance at the beginning of the year | **1,62,484** | — | **3,090** | — |
| Charge for the year | **12,29,660** | 162,484* | **23,708** | 3,060 |
| Balance at the ending of the year | **13,92,144** | 162,484 | **27,189** | 3,090 |

*The Company has an outstanding balance amounting to SR 12,51,721 (₹ 2.24 crores) for one of the customers representing SR 10,43,597 (₹1.98 crores) retention balance and SR 2,08,124 (₹ 0.40 crore) receivable balance and the Company has filed the case in the Commercial Court on 2nd October, 2017. On 31st October, 2019, the judge appointed a liquidator for that customer. Due to non-collection of the outstanding balance as at 31st December, 2020, the Company made full provision (31st December, 2019: The Management opinion was that the outstanding balance would be recovered in due course and hence provision was not required at present but in case of default of collection).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 9. AMOUNTS DUE FROM CUSTOMERS UNDER CONSTRUCTION CONTRACT

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **SR** | SR | **₹ in '000s** | ₹ in '000s |
| **Contracts in progress at the end of the reporting period** | | | | |
| Construction costs incurred plus recognized profits less recognized losses to date | **2,83,10,736** | 3,98,73,534 | **5,52,909** | 7,58,394 |
| Less: Progress billings | **(2,22,19,332)** | (3,60,76,574) | **(4,33,944)** | (6,86,176) |
| | **60,91,404** | 37,96,960 | **1,18,965** | 72,218 |
| Less: Provision for unbilled revenue | **(4,84,411)** | (4,84,411) | **(9,460)** | (9,213) |
| Unbilled revenue, net | **56,06,993** | 33,12,549 | **1,09,505** | 63,005 |
| Recognized and included in the financial statements as amount due: | | | | |
| From customers under construction contracts - unbilled revenue | **56,06,993** | 33,12,549 | **1,09,505** | 63,005 |

### 10. PREPAYMENTS AND OTHER DEBIT BALANCES

| | **SR** | As at 31-12-2019 SR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Advance to suppliers | **9,53,736** | 1,03,914 | **18,627** | 1,977 |
| Employees custody | **37,403** | 43,918 | **730** | 835 |
| Prepaid expenses | **2,30,622** | 1,83,661 | **4,504** | 3,493 |
| Value added tax receivable | **2,82,951** | — | **5,526** | — |
| Others | **2,000** | 4,000 | **39** | 76 |
| | **15,06,712** | 3,35,493 | **29,426** | 6,381 |

### 11. SHARE CAPITAL

The share capital of the Company is SR 2,61,50,000 divided into 2,61,500 shares valued at SR 100 each. The ownership of the Company as per its revised and amended Articles of Association is as per the following:

| Name of the shareholder | No. of previous shares | No. of additional shares | Total No. of shares | Value per share in Saudi Riyals | Percentage | Value in Saudi Riyals | ₹ in '000s |
|---|---|---|---|---|---|---|---|
| Voltas Limited | 15,860 | 2,25,500 | 2,41,360 | 100 | 92% | 2,41,36,000 | 4,71,377 |
| Voltas Netherlands B.V. | 10,140 | 10,000 | 20,140 | 100 | 8% | 20,14,000 | 39,333 |
| **Total** | **26,000** | **2,35,500** | **2,61,500** | **100** | **100%** | **2,61,50,000** | **5,10,710** |

### 12. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company will establish a statutory reserve by the appropriation of 10% of the net income after recovering the accumulated losses until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

## 13. EMPLOYEES' POST-EMPLOYMENT BENEFITS

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **SR** | SR | **₹ in '000s** | ₹ in '000s |
| Present value of the defined benefit obligation, opening balance | **23,25,703** | 22,64,137 | **44,235** | 42,181 |
| Service cost | | | | |
| - Current service cost | **1,48,595** | 1,01,515 | **2,865** | 1,912 |
| - Past service cost | — | — | — | — |
| - Losses on settlement | — | — | — | — |
| Interest on defined benefit obligations | **52,328** | 96,897 | **1,009** | 1,825 |
| Benefits paid during the period | **(61,092)** | (2,39,715) | **(1,178)** | (4,514) |
| Re-measurement loss on post-employment benefits | **2,43,321** | 1,02,869 | **4,691** | 1,937 |
| Present value of post-employment benefits | **27,08,855** | 23,25,703 | **52,904** | 44,235 |

**Below are the significant assumptions**

| | 31-12-2020 | 31-12-2019 |
|---|---|---|
| Discount rate for year-end obligation (% per annum) | **2.06%** | 2.25% |
| Rate of change in salary (% per annum) | **3.00%** | 2.50% |
| Mortality rates assumed | **Mortality rates are assumed based on age** | |
| Employee turnover (withdrawal) rates | **Employee turnover (withdrawal) rates are based on age and service cost** | |

**Sensitivity Analysis on significant actuarial assumptions**

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant.

| | | 31-12-2019 | | 31-12-2019 |
|---|---|---|---|---|
| | **SR** | SR | **₹ in '000s** | ₹ in '000s |
| Discount rate +1% | **25,79,848** | 22,06,329 | **49,739** | 41,545 |
| Discount rate -1% | **28,56,931** | 24,63,268 | **55,082** | 46,383 |
| Long term salary +1% | **28,53,969** | 24,61,483 | **55,025** | 46,350 |
| Long term salary -1% | **25,79,776** | 22,05,507 | **49,738** | 41,530 |

## 14. BANK BORROWINGS

On 5th August, 2018, the Company had availed credit facilities from a bank amounting to SR 1,00,00,000 (₹ 19.53 crores) in aggregate and segregated into Letter of credit limit amount to SR 50,00,000 (₹ 9.77 crores), Letter of guarantees amount to SR 30,00,000 (₹ 5.86 crores) and Overdraft limit amount to SR 20,00,000 (₹ 3.91 crores) which bear SIBOR interest rates plus 2.5% and are secured by the Promissory Note from Company to the bank. The outstanding of overdraft as of 31st December, 2020 amount to SR 20,18,978 (₹ 3.94 crores) [2019: SR 17,56,195 (₹ 3.34 crores)].

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 15. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | **SR** | 2019 SR | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Salaries and other benefits | **6,24,155** | 5,17,372 | **12,190** | 9,840 |
| Value added tax payable | — | 70,989 | — | 1,350 |
| Accrued maintenance | **4,42,620** | — | **8,644** | — |
| Other liabilities | **6,12,423** | 3,60,013 | **11,961** | 6,848 |
| | **16,79,198** | 9,48,374 | **32,795** | 18,038 |

### 16. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

| **Names** | **Relationship** |
|---|---|
| Voltas Limited | Shareholder |
| Voltas Netherlands B.V. | Shareholder |
| Weathermaker Limited | Affiliate |
| Universal Voltas L.L.C. | Affiliate |
| Voltas Limited – UAE | Affiliate |
| Lalbuksh Voltas Engineering Services & Trading L.L.C. | Affiliate |
| Olayan Voltas Contracting Company Limited | Affiliate |

The significant transactions and the related amounts are as follows:

| | **SR** | 2019 SR | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Revenue from contracts | **11,04,088** | 23,71,446 | **21,287** | 44,654 |
| Purchases of materials and services | **86,476** | 2,77,485 | **1,667** | 5,225 |
| Expenses reimbursed to affiliates | **1,31,890** | 78,147 | **2,543** | 1,472 |
| Expenses incurred on behalf of affiliates | **5,549** | 45,260 | **107** | 852 |

Due from related parties as of 31st December comprised the following:

| | **SR** | 2019 SR | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Olayan Voltas Contracting Company Limited | **4,83,000** | — | **9,433** | — |

Due to related parties as of 31st December comprised the following:

| | **SR** | 2019 SR | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Olayan Voltas Contracting Company Limited | — | 2,10,504 | — | 4,004 |
| Weathermaker Limited | **1,45,395** | 1,96,028 | **2,840** | 3,728 |
| Voltas Limited – India | **2,00,740** | 2,06,000 | **3,920** | 3,918 |
| Voltas Limited – U.A.E. | **5,17,472** | 4,30,993 | **10,106** | 8,198 |
| Universal Voltas L.L.C. | **2,71,517** | 2,71,517 | **5,303** | 5,164 |
| Lalbuksh Voltas Engineering Services & Trading L.L.C. | **2,22,062** | 2,27,611 | **4,337** | 4,329 |
| | **13,57,186** | 15,42,653 | **26,506** | 29,341 |

## 17. INCOME TAX PAYABLE

**(A) Tax calculations as follow:**

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Adjustment for net income | | | | |
| Net income / (loss) for the year | **11,70,958** | (6,94,592) | **22,576** | (13,079) |
| Provision for doubtful debts | **12,29,660** | — | **23,708** | — |
| Provision end-of-services benefits | **2,00,923** | 1,98,412 | **3,874** | 3,737 |
| Difference in depreciation | — | (28,007) | — | (527) |
| **Adjusted net income / (loss)** | **26,01,541** | (5,24,187) | **50,158** | (9,869) |
| Less: | | | | |
| Accumulated losses not to exceed 25% of net income for the year | **(6,50,385)** | — | **(12,539)** | — |
| Employees' post-employment benefits paid | **(61,092)** | (2,39,715) | **(1,178)** | (4,514) |
| Tax base | **18,90,064** | (7,63,902) | **36,411** | (14,383) |
| Tax @ 20% | **3,78,013** | — | **7,288** | — |

**(B) Income tax movement:**

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Balance at beginning of the year | — | — | — | — |
| Provision for the year | **3,78,013** | — | **7,288** | — |
| | **3,78,013** | — | **7,383** | — |

**(C) Outstanding assessments:**

The tax returns for the year 2008 to 2016 are under review by the GAZT. The Company has filed its tax return up to the year ended 31st December, 2019 and obtained relevant certificates from GAZT.

## 18. CONTRACT COSTS

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Material costs | **1,09,62,263** | 1,34,43,959 | **2,11,353** | 2,53,150 |
| Sub-contractor costs | **29,12,873** | 22,33,230 | **56,160** | 42,051 |
| Salaries and benefits | **25,70,633** | 32,76,770 | **49,562** | 61,702 |
| Other expenses | **5,95,603** | 76,210 | **11,483** | 1,435 |
| | **1,70,41,372** | 1,90,30,169 | **3,28,558** | 3,58,338 |

## 19. GENERAL AND ADMINISTRATIVE EXPENSES

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Salaries and benefits | **12,88,961** | 19,01,370 | **24,851** | 35,803 |
| Rent (Note 23) | **1,39,728** | 1,65,616 | **2,694** | 3,119 |
| Vehicle expenses | **4,224** | 16,225 | **81** | 306 |
| Communication, travel and insurance | **92,369** | 2,50,422 | **1,781** | 4,715 |
| Office expenses | **26,498** | 65,787 | **511** | 1,239 |
| Depreciation | **24,977** | 20,678 | **482** | 389 |
| Professional and legal fees | **1,61,021** | 1,46,760 | **3,104** | 2,763 |
| Provision for doubtful debts | **12,29,660** | 1,62,484 | **23,708** | 3,060 |
| Provision for unbilled revenue | — | 4,84,411 | — | 9,121 |
| Other expenses | **9,69,645** | 1,47,189 | **18,695** | 2,772 |
| | **39,37,083** | 33,60,942 | **75,907** | 63,287 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 20. OTHER INCOME

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Others | **9,730** | 2,242 | **188** | 42 |
| | **9,730** | 2,242 | **188** | 42 |

### 21. TRANSACTIONS WITH MAJOR CUSTOMERS

Contract revenue during the year amount to SR 22.200 million (₹ 42.80 crores) [2019: SR 21.700 million (₹ 40.86 crores)] and there are three major customers amounting to SR 15.819 million (₹ 30.50 crores) [2019: SR 17.275 million (₹ 32.53 crores)], which represents approximately 71% (2019: 80%) of the total contract revenue.

### 22. CONTINGENT LIABILITIES

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Letter of Guarantee | **23,73,411** | 23,52,141 | **46,353** | 44,738 |
| Letter of credit | **66,82,781** | 25,75,927 | **1,30,515** | 48,994 |
| | **90,56,192** | 49,28,068 | **1,76,868** | 93,732 |

### 23. OPERATING LEASE ARRANGEMENTS

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Payments under operating leases recognized as an expense during the year | **1,39,728** | 1,65,616 | **2,694** | 3,119 |

### 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments comprise financial assets and financial liabilities. Financial assets and liabilities carried on the balance sheet include cash and cash equivalents, accounts receivable and accounts payable. The particular recognition method adopted for each financial instrument is disclosed in the individual policy statement associated with each item. The fair values (the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction) of the Company's financial assets and liabilities are not materially different from their carrying amounts. The Company is exposed to credit risk, market risk, commission rate risk, liquidity risk and operational risks.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company's credit risk is primarily attributable to its account receivable, contract retentions and unbilled revenues. The amounts presented in the balance sheet are net of allowance for doubtful assets, estimated by the Company's Management based on prior experience and this assessment of the current environment. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers / projects.

The maximum exposure to credit risk at the reporting date is as follows:

| | SR | 2019 SR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Trade receivables | **13,37,694** | 27,83,392 | **26,125** | 52,940 |
| Cash at banks | **3,61,595** | 4,66,922 | **7,062** | 8,881 |
| Other receivables | **15,06,712** | 3,35,493 | **29,426** | 6,381 |
| | **32,06,001** | 35,85,807 | **62,613** | 68,202 |
| Trade payables | **43,97,269** | 39,60,301 | **85,878** | 75,324 |
| Other payables | **16,79,198** | 9,48,374 | **32,795** | 18,038 |
| Bank borrowings | **20,18,978** | 17,56,195 | **39,431** | 33,403 |
| | **80,95,445** | 66,64,870 | **1,58,104** | 1,26,765 |

**Commission rate risk**

Commission rate risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in the market commission rates. The Company does not hold any fixed deposits that earn fixed rates of commission. The Company's other assets and liabilities are not sensitive to commission rate risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Liquidity risk is managed by monitoring the Company's liquidity requirements, on a regular basis, to help ensure that sufficient funds are, to meet all liabilities as they fall due. All maturities profiles of the Company's financial assets and liabilities are expected to recover or settle respectively within a period of 12 months.

**Currency rate risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company' transactions are carried mostly is Saudi Riyals. Management believes that there is no significant foreign currency exposure since its transactions in foreign currencies are limited and were performed in foreign currencies which are pegged to Saudi Riyal.

**25. FAIR VALUES**

Financial instruments comprise of financial assets and liabilities. Financial assets of the Company include mainly bank balance, commission receivable and other financial assets. Financial liabilities of the Company include mainly accounts payable, obligation under capital lease and accrued expenses, other credit balance. The fair values of the financial assets and liabilities of the Company are not materially different from the carrying values as reflected in these financial statements.

**26. GOING CONCERN**

The Company incurred a net Comprehensive income of SR 5,49,624 (₹ 1.06 crores) during the year ended 31st December, 2020. The Company's current liabilities exceeded its current assets by SR 3,43,107 (₹ 0.67 crore) and the accumulated losses amounting to SR 2,88,27,422 (₹ 56.30 crores) as at 31st December, 2020 (2019: SR 2,93,77,046 (₹ 55.88 crores), exceeded 50% from the Company's share capital.

This condition indicates the existence of uncertainties that may cast significant doubt about the Company abilities as going concern. The Company's ability to continue as a going concern is dependent upon future profitable operations and continued financial support from Partners in order to enable it to cover its losses and settle its liabilities. This matter requires, according to Saudi Companies Regulation the partners of the Company to meet and resolve whether the Company may continue as a going concern by supporting it or to be liquidated before its duration as stated in the Company's Regulation. In their meeting dated 28th December, 2020, the partners unanimously resolved to support the Company to continue its operations.

**27. COMPARATIVE FIGURES**

Certain of the prior year amounts have been classified to conform to the presentation in the current year.

**28. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Management on 22nd April, 2021 corresponding to 10 Ramadan 1442H.

*Jeddah, 22nd April, 2021* *Director* **Mohammad Rashid**

# LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C.

Directors :

**Anil George** *(Chairman)*

**Issa Lalbuksh Al Raisi**

**A. R. Suresh Kumar**

**K. Prabhakar**

**Manish Desai**

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Directors present their Annual Report and the Accounts for the year ended 31st December, 2020.

2. The Company has reported lower turnover of Rials Omani (RO) 4.557 million for the year ended 31st December, 2020, as compared to RO 6.883 million in the previous year. Reduction in turnover is partly due to discontinuation of Drilling related business during the year. Also, the ongoing COVID-19 pandemic has severely impacted the execution activities at various project sites. Net profit was lower at RO 0.530 million as compared to RO 0.710 million in the previous year.

3. During the year under review, the Company had declared and paid interim dividends of RO 0.150 million each in May 2020 and October 2020, respectively, for the year ended 31st December, 2020. The Directors recommended a final dividend of RO 0.150 million. Thus, total dividend for the year ended 31st December, 2020 was RO 0.450 million (Previous year: RO 0.250 million).

4. M/s. PKF L.L.C., Chartered Accountants, the retiring auditors, being eligible, offer themselves for reappointment.

On behalf of Board of Directors

**Issa Lalbuksh Al Raisi**

**A. R. Suresh Kumar**

*Muscat, 22nd March, 2021*

## INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF**

**LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C.**

**Opinion**

We have audited the financial statements of **LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C.** (the Company), which comprise the statement of financial position as at 31st December, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

**PKF L.LC.**
Chartered Accountants
*Sultanate of Oman*

*Muscat, 22nd March, 2021*

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2020

| | Notes | **RO** | As at 31-12-2019 RO | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSET** | | | | | |
| Property, plant and equipment | 3 | **1,10,534** | 1,39,968 | **21,020** | 25,919 |
| Contract assets | 7 | **2,62,234** | 1,09,369 | **49,869** | 20,253 |
| Other financial assets | 9 | **4,94,509** | 4,89,738 | **94,041** | 90,690 |
| | | **8,67,277** | 7,39,075 | **1,64,930** | 1,36,862 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 4 | **32,028** | 33,287 | **6,091** | 6,164 |
| Contract and other receivables | 5 | **32,17,210** | 28,14,340 | **6,11,817** | 5,21,159 |
| Other current assets | 6 | **1,52,433** | 1,19,642 | **28,988** | 22,155 |
| Contract assets | 7 | **24,42,516** | 36,56,524 | **4,64,493** | 6,77,116 |
| Cash and cash equivalents | 8 | **2,79,672** | 1,55,078 | **53,185** | 28,717 |
| | | **61,23,859** | 67,78,871 | **11,64,574** | 12,55,311 |
| **TOTAL ASSETS** | | **69,91,136** | 75,17,946 | **13,29,504** | 13,92,173 |
| **EQUITY AND LIABILITIES** | | | | | |
| **MEMBERS' FUNDS** | | | | | |
| Share capital | 10 | **2,50,000** | 2,50,000 | **47,542** | 46,295 |
| Legal reserve | | **83,334** | 83,334 | **15,847** | 15,432 |
| General reserve | | **7,50,000** | 7,50,000 | **1,42,628** | 1,38,885 |
| Accumulated profits | | **34,65,219** | 32,35,625 | **6,58,981** | 5,99,173 |
| Equity funds | | **45,48,553** | 43,18,959 | **8,64,998** | 7,99,785 |
| **NON-CURRENT LIABILITY** | | | | | |
| Staff end-of-service gratuity | | **2,80,080** | 2,71,710 | **53,263** | 50,315 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 11 | **14,08,558** | 19,24,602 | **2,67,865** | 3,56,397 |
| Contract liabilities | 12 | **6,60,100** | 8,76,918 | **1,25,531** | 1,62,388 |
| Current tax payable | 20 (d) | **93,845** | 1,25,757 | **17,847** | 23,288 |
| | | **21,62,503** | 29,27,277 | **4,11,243** | 5,42,073 |
| **TOTAL EQUITY AND LIABILITIES** | | **69,91,136** | 75,17,946 | **13,29,504** | 13,92,173 |

The accompanying notes form an integral part of these financial statements.

**Note:** The Statement of Financial Position has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 190.17 being the exchange rate prevailing as on 31st December, 2020. Previous year figures have been converted @ 1 RO = ₹ 185.18 being the exchange rate prevailing as on 31st December, 2019.

*Directors* **Issa Lalbuksh Al Raisi**
**A. R. Suresh Kumar**

*Muscat, 22nd March, 2021*

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | Notes | RO | 2019 RO | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|---|
| **CONTRACT REVENUE** | 13 | **45,57,421** | 68,83,362 | **8,55,337** | 12,61,996 |
| Cost of works executed | 14 | **(39,22,785)** | (59,29,464) | **(7,36,228)** | (10,87,108) |
| **GROSS PROFIT** | | **6,34,636** | 9,53,898 | **1,19,109** | 1,74,888 |
| Other operating income | 15 | **1,84,869** | 2,91,027 | **34,696** | 53,357 |
| Staff costs | | **(1,08,698)** | (1,50,550) | **(20,400)** | (27,602) |
| Director's remuneration | | **(8,700)** | (8,700) | **(1,633)** | (1,595) |
| Allowance for expected credit loss on contract and other receivables | 5 | **(1,369)** | (1,06,849) | **(257)** | (19,590) |
| Depreciation on property, plant and equipment | 3 | **(4,207)** | (15,489) | **(790)** | (2,840) |
| Other operating expenses | 16 | **(98,724)** | (1,65,277) | **(18,529)** | (30,302) |
| **PROFIT FROM OPERATING ACTIVITIES** | | **5,97,807** | 7,98,060 | **1,12,196** | 1,46,316 |
| Interest income | 17 | **39,683** | 48,985 | **7,448** | 8,981 |
| Finance costs | | **(11,885)** | (7,636) | **(2,231)** | (1,400) |
| **NET PROFIT FOR THE YEAR BEFORE TAX** | | **6,25,605** | 8,39,409 | **1,17,413** | 1,53,897 |
| Income tax expense for current year | 20 (b) | **(96,011)** | (1,28,953) | **(18,019)** | (23,642) |
| **NET PROFIT FOR THE YEAR AFTER TAX** | | **5,29,594** | 7,10,456 | **99,394** | 1,30,255 |
| Other comprehensive income for the year | | — | — | **—** | — |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **5,29,594** | 7,10,456 | **99,394** | 1,30,255 |

The accompanying notes form an integral part of these financial statements.

**Note:** The Statement of Comprehensive Income has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 187.68 being the average of the exchange rates prevailing as on 31st December, 2019 (1 RO = ₹ 185.18) and as on 31st December, 2020 (1 RO = ₹ 190.17). Previous year figures have been converted into Indian Rupees @ 1 RO = ₹ 183.34 being the average of the exchange rates prevailing as on 31st December, 2018 (1 RO = ₹ 181.50) and as on 31st December, 2019 (1 RO = ₹ 185.18).

*Directors* **Issa Lalbuksh Al Raisi**
**A. R. Suresh Kumar**

*Muscat, 22nd March, 2021*

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | **Share capital** | | **Legal reserve** | | **General reserve** | | **Accumulated profits** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** |
| As at 31st December, 2018 | 2,50,000 | 45,375 | 83,334 | 15,125 | 7,50,000 | 1,36,125 | 32,25,169 | 5,85,368 | 43,08,503 | 7,81,993 |
| Total comprehensive income for the year | — | — | — | — | — | — | 7,10,456 | 1,30,255 | 7,10,456 | 1,30,255 |
| Dividend declared and paid | — | — | — | — | — | — | (7,00,000) | (1,24,126) | (7,00,000) | (1,24,126) |
| As at 31st December, 2019 | 2,50,000 | 46,295 | 83,334 | 15,432 | 7,50,000 | 1,38,885 | 32,35,625 | 5,99,173 | 43,18,959 | 7,99,785 |
| Total comprehensive income for the year | — | — | — | — | — | — | 5,29,594 | 99,394 | 5,29,594 | 99,394 |
| Dividend declared and paid | — | — | — | — | — | — | (3,00,000) | (56,304) | (3,00,000) | (56,304) |
| **As at 31st December, 2020** | **2,50,000** | **47,542** | **83,334** | **15,847** | **7,50,000** | **1,42,628** | **34,65,219** | **6,58,981** | **45,48,553** | **8,64,998** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| **Cash flows from operating activities** | | | | |
| Net profit for the year before tax | **6,25,605** | 8,39,409 | **1,17,413** | 1,53,897 |
| Adjustments for: | | | | |
| Depreciation on property, plant and equipment | **59,223** | 64,367 | **11,115** | 11,801 |
| Profit on disposal of property, plant and equipment | **(39,988)** | (1,88,354) | **(7,505)** | (34,533) |
| Interest income | **(39,683)** | (48,985) | **(7,448)** | (8,981) |
| Finance costs | **11,885** | 7,636 | **2,231** | 1,400 |
| **Operating profit before changes in operating assets and liabilities** | **6,17,042** | 6,74,073 | **1,15,806** | 1,23,584 |
| Changes in inventories | **1,259** | 38,026 | **73** | 6,779 |
| Changes in contract and other receivables | **(4,02,870)** | (16,95,179) | **(90,657)** | (3,18,032) |
| Changes in other current assets | **(32,791)** | 62,583 | **(6,833)** | 10,919 |
| Changes in trade and other payables | **(5,16,044)** | 73,274 | **(88,532)** | 20,382 |
| Changes in staff gratuity liability | **8,370** | 52,533 | **2,948** | 10,535 |
| Changes in contract assets | **10,61,143** | 3,74,509 | **1,83,006** | 54,115 |
| Changes in contract liabilities | **(2,16,818)** | (12,665) | **(36,856)** | 928 |
| **Cash generated from / (used in) operating activities** | **5,19,291** | (4,32,846) | **98,754** | (80,154) |
| Finance costs paid | **(11,885)** | (7,636) | **(2,231)** | (1,400) |
| Taxes paid | **(1,27,923)** | (1,38,365) | **(23,453)** | (24,073) |
| **Net cash generated from / (used in) operating activities (A)** | **3,79,483** | (5,78,847) | **72,166** | (1,07,191) |
| **Cash flows from investing activities** | | | | |
| Interest received | **39,683** | 48,985 | **7,448** | 8,981 |
| Increase in time deposits | **(4,771)** | (31,916) | **(3,351)** | (7,595) |
| Purchase of property, plant and equipment | **(29,809)** | (74,219) | **(5,595)** | (13,607) |
| Proceeds from disposal of property, plant and equipment | **40,008** | 1,93,682 | **7,509** | 35,510 |
| **Net cash generated from investing activities (B)** | **45,111** | 1,36,532 | **8,579** | 25,283 |
| **Cash flows from financing activity** | | | | |
| Dividends paid | **(3,00,000)** | (7,00,000) | **(56,304)** | (1,24,126) |
| **Net cash used in financing activity (C)** | **(3,00,000)** | (7,00,000) | **(57,051)** | (1,29,626) |
| **Net increase / (decrease) in cash and cash equivalents (A+B+C)** | **1,24,594** | (11,42,315) | **24,468** | (2,06,759) |
| Cash and cash equivalents at beginning of year | **1,55,078** | 12,97,393 | **28,717** | 2,35,477 |
| **Cash and cash equivalents at end of year** | **2,79,672** | 1,55,078 | **53,185** | 28,717 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

**1. LEGAL STATUS AND PRINCIPAL BUSINESS ACTIVITIES**

(a) LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C. is a Limited Liability Company, registered under the commercial laws of the Sultanate of Oman.

(b) The ultimate parent company is Voltas Limited – India.

(c) The Company is engaged in drilling, irrigation and landscaping activities and construction of water treatment plants.

**2. BASIS OF PREPARATION**

**2.1 STATEMENT OF COMPLIANCE**

The financial statements are prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued or adopted by the International Accounting Standards Board, and which are effective for the current accounting period, and the applicable requirements of the Oman Commercial Companies Law.

**2.2 BASIS OF MEASUREMENT**

The financial statements are prepared under the historical cost convention. Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability. 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.

**2.3 GOING CONCERN CONCEPT**

The financial statements are prepared on a going concern basis.

When preparing financial statements, Management shall make an assessment of the Company's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management has assessed the impact of COVID 19 on its liquidity, bank facilities, disruption of business operations, supply changes and demand drivers, impairment of its assets, etc., which may lead to solvency issue and have concluded that inspite of the challenges, the entity will remain solvent and continue as going concern in future.

**2.4 FUNCTIONAL AND PRESENTATION CURRENCY**

The financial statements are prepared in Rials Omani, which is the functional and presentation currency.

**2.5 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, that have been consistently applied (except as mentioned in Note 2.8), are as follows:

**(a) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on straight-line basis to write off the cost of property, plant and equipment less their estimated residual value, where material, in equal annual instalments over their estimated useful lives. Depreciation has been calculated from the date of acquisition at the following rates:

| | |
|---|---|
| Porta cabins | 15.00 % |
| Capital equipment and accessories | 15.00 % |
| Furniture fixtures and equipment | 15.00 % - 33.33% |
| Vehicles | 33.33 % |

An assessment of depreciation method, useful lives and residual values are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

**(b) Impairment of non financial assets**

The carrying amounts of the non-financial assets are reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, their recoverable amount is estimated. Recoverable amount is the higher of fair value less cost to sell and value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

**(c) Inventories**

Inventories are stated at lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost is determined on the Weighted Average Cost (WAC) basis and comprises invoice value plus applicable landing charges. Net realisable value is based on estimated selling price less any estimated cost of completion and disposal.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**(d) Contract and other receivables**

Contract receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a short period and therefore are all classified as current. Contract receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the contract receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Contract receivables are stated at original invoice amount less an allowance for expected credit losses. Bad debts are written off or fully provided for as they arise.

**(e) Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank current and smart card accounts and deposits free of encumbrance with a maturity date of three months or less from the date of deposit.

**(f) Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The contract assets are transferred to receivables when the rights become unconditional.

**(g) Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If the customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**(h) Trade and other payables**

Liabilities are recognised for amounts to be paid for goods or services received, whether billed by the suppliers or not, to the extent of goods or services certified by the Company.

**(i) Provisions**

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

**(j) Taxation**

Taxation has been provided on the basis of the Company's taxable profits arrived at by making suitable adjustments for likely disallowances as per the tax law to the net profits as per the financial statements, and applying the tax rates specified in the Income Tax Law in Oman. Additional tax liability that may arise in future on completion of pending tax assessments for the tax year 2017 to 2020 is not expected to be material to the Company's financial position, and would be paid for and accounted in the financial statements of the year in which the tax assessments are completed. Deferred tax assets / liability arising on account of temporary differences between accounting and tax base has not been accounted since the impact is not material.

**(k) Employees' benefit costs**

The Company contributes to the Social Security Scheme under Royal Decree 72/91 (Defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with Omani Social Insurance Law 1991) for Omani employees, administered by the Government of Sultanate of Oman.

Accruals for employees' benefits comprising leave salary, passage and end of service gratuity for non-Omani employees is in accordance with Company's rules and is based on the liability, which would arise if the employment of all staff were terminated at the year-end. The total expense recognised in the statement of comprehensive income for staff end of service benefits amounts to RO 66,998 (₹ 1.26 crores) [Previous year: RO 1,09,942 (₹ 2.02 crores)].

**(l) Legal reserve**

Legal reserve is created by appropriating 10% of the net profit for the year as required by the Commercial Companies Law of Oman. The Company has resolved to discontinue such annual transfers since the reserve totals 33.33% of the paid-up share capital. The reserve is not available for distribution.

**(m) General reserve**

General reserve is created by appropriating a portion of the net profit for the period. The reserve is available for distribution.

**(n) Revenue**

**Revenue from contracts with customers**

The Company is engaged in drilling, irrigation and landscaping activities and construction of water treatment plants.

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is measured net of discounts, rebates, returns and other similar allowances.

The Company recognises revenue from contracts with customers based on five step model as set out in IFRS 15:

(1) Identify the contract with customer;

(2) Identify the performance obligations in the contract;

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract;

(5) Recognise revenue as performance obligations are satisfied.

The Company is required to assess its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Company has concluded that for majority of its contracts, it is either creating or enhancing an asset controlled by the customer, or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue over time and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively, and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of transaction price needs to be allocated. In determining the transaction price for the contracts / services, the Company considers the effect of variable consideration and significant financing components.

(i) Variable consideration

If the consideration in the contract includes a variable amount, the Company estimates the amount of consideration it is entitled to in exchange for transferring the goods or services. The amount of variable consideration is estimated at contract inception using either the expected value method or the most likely amount method and is constrained until the associated uncertainty is subsequently resolved.

Awards / incentive payments, liquidated damages, penalties, change orders / variations, claims, etc. give rise to variable consideration. Revenue related to said variable consideration is included in the transaction price / contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur in future when uncertainty associated with the variable consideration is subsequently resolved.

(ii) Significant financing component

In case of short-term advance from customers, as the period between the transfer of promised goods or services to the customer and when the customer pays for those goods or services is expected to be less than one year, the Company has used the practical expedient in IFRS 15 and not adjusted the consideration for significant financing component.

In case of long-term advance from customers, the transaction price for such contract is discounted using the rate that would be reflected in a separate financing transaction between the customer and the Company.

**Revenue recognition on contracts**

Contract billings are recorded on the basis of progress bills prepared by the Company and are considered as revenue to the extent that they are probable of being certified and recovered. Contract revenues are recognised over a period of time on percentage of completion method. When the outcome of a contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at year end. When the outcome of the contact cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that are likely to be recoverable.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**(n) Revenue (contd.)**

The stage of completion is determined on the basis of progress on each contract measured by reference to percentage completion proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Conservative proportion of the profit estimated by Directors to be earned on completion of the contracts is considered by reference to the work completed at the year end. Losses, if any, on jobs not completed are provided for when identified.

**(o) Interest income**

Interest income is recognised over a period of time on a time proportionate basis. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of allowance for expected credit losses).

**(p) Leases**

The Company leases various assets for commercial use. Rental contracts are made for varying period / years but may have extension and renewal options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, however leased assets are not used as security for borrowing purposes.

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right-of-use assets

*Initial measurement*

The Company recognises right-of-use assets at the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- present value of estimated restoration costs.

*Subsequent measurement*

Subsequent to initial measurement right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses adjusted for any re-measurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-assets are depreciated on a straight-line basis over the shorter of asset's estimated useful life and the lease term.

*Lease liabilities*

The Company recognises lease liabilities at the commencement date of the lease. The lease liabilities are measured at the net present value of lease payments to be made over the lease term. The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Company; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

The Company uses its incremental borrowing rate as the discount rate in calculating the present value of lease payments if interest rate implicit in the lease is not readily determinable. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. Further, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance lease payments or a change in the assessment to purchase the underlying asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

*Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e. Asset value below RO 1,925 (₹ 0.04 crore) when new). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**(p) Leases (contd.)**

*Separate disclosure*

For better presentation and understanding of users of financial statements, the leases under which substantially all the risks and rewards incidental to ownership of asset pass to the Company are disclosed as "Assets under finance lease", and where substantially all the risks and rewards incidental to ownership of asset are not passed to the Company are disclosed as "Assets under operating lease". However, irrespective of the separate disclosure as assets under finance lease or assets under operating lease, the accounting treatment / policy of both lease categories is same as per IFRS 16 as stated above.

**(q) Finance costs**

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other finance costs are recognised as an expense in the year in which they are incurred.

**(r) Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the year end date. All differences are taken to the Statement of comprehensive income.

**(s) Financial instruments**

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

**Recognition**

Financial assets and financial liabilities are recognised when, and only when, the company becomes a party to the contractual provisions of the instrument.

**De-recognition**

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished, i.e., when obligation specified in the contract is discharged, cancelled or expired.

**Classification and Measurement**

**Financial assets**

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

**Initial measurement**

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The contractual cash flow characteristic of a financial assets could give rise to cash flows that are 'Solely Payments of Principal and Interest' (SPPI) on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**(s) Financial Instruments (contd.)**

**Subsequent measurement**

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

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

**Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes contracts and other receivables, other current financial assets, contract assets, fixed deposits and cash equivalents.

**Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)**

The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon de-recognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

The Company does not have any debt instrument under this category.

**Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon de-recognition (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity instruments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Company does not have any financial asset under this category.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include:

- Held for trading financial assets,
- Financial assets designated upon initial recognition at fair value through profit or loss, or
- Financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

**(s) Financial Instruments (contd.)**

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Company does not have any financial asset under this category.

**Impairment of financial assets**

The Company measures Expected Credit Loss (ECL) in a way that reflects:

(a) An un-biased and probability weighted amount that is determined by evaluating a range of possible outcomes;

(b) Time value of money;

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The credit loss arises even when the Company is expected to be settled in full but later than contractual due date. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognised in two stages:

- For credit exposure for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, allowance for expected credit losses is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

**(t) Equity**

Share capital is recorded at the value of proceeds received / receivable towards interest in share capital of the Company.

**(u) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES**

(i) The significant judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

*Impairment*

At each year end, Management conducts an assessment of property, plant, equipment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, the assets are written down to their recoverable amount.

*Classification of financial assets*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

*Leases*

*Determining the lease term*

In determining the lease term, Management considers all facts and circumstances including contractual and legal rights, that create an economic incentive to exercise an extension / renewal option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

*COVID 19*

The Entity's Management has exercised significant judgement while assessing the impact of COVID 19 on recoverability and impairment of assets, expected credit losses on financial assets, warranty obligations, delay cost / penalties, etc. and has concluded that there is no material impact of COVID 19 on aforementioned matters and the financial statements. The Management regularly reviews, estimates and suitably accounts for the possible financial impact of such matters based on their assessment, past experience and available information.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (contd.)

(ii) Key assumptions made concerning the future and other key sources of estimation uncertainty at the year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimate is revised and in any future periods affected:

*Carrying values of property, plant and equipment*

The useful lives and residual values of property, plant and equipment are estimated based on intended use of assets and their economic lives. Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

*Inventory provisions*

Management regularly undertakes a review of the Company's inventory, in order to assess their likely realization proceeds, technological changes, age, likely obsolescence, the rate at which the materials are being used and the physical damage. Based on the assessment, assumptions are made as to the level of provisioning required.

*Fair value of financial assets*

The fair values of financial assets that are not traded in an active market is determined by using valuation techniques that involve use of estimates, assumptions on market conditions, and judgement on selection of appropriate valuation model.

*Impairment*

Assessments of net recoverable amounts of property, plant, equipment are based on assumptions regarding future cash flows expected to be received from the related assets.

*Impairment of financial assets*

The allowance for expected credit losses for financial assets are based on assumptions about the risk of default and expected credit loss rates. The Management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

*Staff end-of-service gratuity*

The Company computes the liability to staff end-of-service gratuity assuming that all employees were to leave as at the year end. The Management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

*Contract work in progress*

Contract revenues on contracts in progress at the year end are recognised on a percentage of completion basis, that requires the Management to estimate the costs expected to be incurred in future to complete the contracts. Further, profits on contracts in progress are recognised only when the final outcome can be reliably estimated.

*Contract matters*

In the contracting industry, there are various contractual matters relating to possible penalties for delays in job completion, claims of suppliers / subcontractors, work disputes, recovery of uncertified contract / variation work dues, expected costs during job warranty and defect liability period etc., that are subject to various sources of uncertainties and future negotiations. The Management regularly reviews, estimates and suitably accounts for the possible financial impact of such contractual matters based on their assessment, past experience and available information.

### 2.7 ADOPTION OF REVISED AND NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

There are no International Financial Reporting Standards, amendments thereto or interpretations that have been issued by the IASB prior to the date the financial statements were authorized for issue but have their effective dates of adoption for future accounting periods that are likely to have any significant impact on the financial statements.

### 2.8 CHANGES IN ACCOUNTING POLICIES IN PREVIOUS YEAR

Following are the changes in accounting policy due to adoption of new International Financial Reporting Standards.

**Changes in accounting policy due to adoption of IFRS 16 in previous year**

IFRS 16 is effective for annual periods beginning on or after 1st January, 2019, which supersedes the previous guidance in IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases – Initiatives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. The standard requires lessees to account for most leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessor accounting remains similar to previous accounting policies. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases in case when the Company is the lessor.

## 2.8 CHANGES IN ACCOUNTING POLICIES IN PREVIOUS YEAR (contd.)

The Company adopted modified retrospective application (cumulative catch-up transition method) permitted by IFRS 16 with the date of initial adoption of 1st January, 2019 along with permitted practical expedients and recognition methodology. Accordingly, the comparative information has not been restated. On transition to IFRS 16, the Company applied the standard only to those contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed after 1st January, 2019. The Company also elected to use the optional exemption for leases that at the commencement date have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and leases for which the underlying asset is of low value (low-value assets).

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the leased assets. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets (if any) were recognised at an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities (if any) were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In applying IFRS 16 for the first time, the Company also applied the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous; the election, by class of underlying asset, not to separate non-lease components from lease components, and instead for each lease component and any associated non-lease components as a single lease component.
- exemptions to operating leases with a remaining lease term of less than 12 months at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**Transition**

The Company has not recognised any lease liability / right-of-use assets as the Company does not have any long term leases i.e. leases for which the lease term is more than 12 months. Therefore, change in accounting policy resulting from the adoption of IFRS 16 has not resulted in any material impact on opening balance of retained earnings / accumulated losses or equity as of 1st January, 2019.

## 3. PROPERTY, PLANT AND EQUIPMENT

3.1

| | Porta cabins | | Capital equipment and accessories | | Furniture, fixtures and equipment | | Vehicles | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO | ₹ in'000s | RO | ₹ in'000s | RO | ₹ in'000s | RO | ₹ in'000s | RO | ₹ in'000s |
| **Cost** | | | | | | | | | | |
| As at 1st January, 2020 | 1,14,092 | 21,128 | 3,60,278 | 66,716 | 1,35,296 | 25,054 | 7,29,417 | 1,35,073 | 13,39,083 | 2,47,971 |
| Additions | — | — | 7,400 | 1,389 | 3,409 | 640 | 19,000 | 3,566 | 29,809 | 5,595 |
| Disposals | (14,191) | (2,663) | (31,872) | (5,982) | — | — | (76,261) | (14,313) | (1,22,324) | (22,958) |
| **As at 31st December, 2020** | **99,901** | **18,998** | **3,35,806** | **63,860** | **1,38,705** | **26,378** | **6,72,516** | **1,27,824** | **12,46,568** | **2,37,060** |
| **Accumulated depreciation** | | | | | | | | | | |
| As at 1st January, 2020 | 70,457 | 13,047 | 3,32,446 | 61,563 | 1,13,870 | 21,086 | 6,82,342 | 1,26,356 | 11,99,115 | 2,22,052 |
| Depreciation for the year | 13,173 | 2,473 | 10,352 | 1,943 | 8,692 | 1,631 | 27,006 | 5,068 | 59,223 | 11,115 |
| Adjustments on disposal | (14,183) | (2,662) | (31,867) | (5,981) | — | — | (76,254) | (14,311) | (1,22,304) | (22,954) |
| **As at 31st December, 2020** | **69,447** | **13,207** | **3,10,931** | **59,130** | **1,22,562** | **23,308** | **6,33,094** | **1,20,395** | **11,36,034** | **2,16,040** |
| **Net book value** | | | | | | | | | | |
| As at 31st December, 2019 | 43,635 | 8,081 | 27,832 | 5,153 | 21,426 | 3,968 | 47,075 | 8,717 | 1,39,968 | 25,919 |
| **As at 31st December, 2020** | **30,454** | **5,791** | **24,875** | **4,730** | **16,143** | **3,070** | **39,062** | **7,429** | **1,10,534** | **21,020** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 3. PROPERTY, PLANT AND EQUIPMENT (contd.)

3.2 Vehicles costing RO 21,740 (₹ 0.41 crore) [(net book value RO 2 (₹ 380.34)] are registered in the name of a related party, and five vehicles costing RO 33,050 (₹ 0.63 crore) [(net book value RO 173 (₹ 32,899.41)] are registered in the name of employees.

3.3 Porta cabins and equipment are on land jointly owned by related parties.

3.4 The depreciation charge for the year is allocated as under:

| **Accumulated depreciation** | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in'000s** | ₹ in'000s |
| Cost of work executed (Note 14) | **55,016** | 48,878 | **10,325** | 8,961 |
| Statement of comprehensive income | **4,207** | 15,489 | **790** | 2,840 |
| | **59,223** | 64,367 | **11,115** | 11,801 |

### 4. INVENTORIES

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| 4.1 Materials | **1,06,328** | 1,34,796 | **20,221** | 24,961 |
| Provision for slow moving inventories | **(74,300)** | (1,01,509) | **(14,130)** | (18,797) |
| | **32,028** | 33,287 | **6,091** | 6,164 |

4.2 The movements in provision for slow moving inventories are as follows:

| | | | | |
|---|---|---|---|---|
| Opening balance | **1,01,509** | 1,01,509 | **18,797** | 18,424 |
| Reversal during the year (Note 14) | **(27,209)** | — | **(5,107)** | — |
| Closing balance | **74,300** | 1,01,509 | **14,130** | 18,797 |

### 5. CONTRACT AND OTHER RECEIVABLES

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| 5.1 Contract receivables – related parties | **1,99,079** | 1,09,211 | **37,859** | 20,224 |
| Contract receivables – others | **26,24,075** | 23,01,245 | **4,99,020** | 4,26,145 |
| Allowance for expected credit loss | **(1,54,445)** | (1,53,076) | **(29,371)** | (28,347) |
| | **26,68,709** | 22,57,380 | **5,07,508** | 4,18,022 |
| Advances to staff | **26,987** | 26,850 | **5,132** | 4,971 |
| Advances to related parties | **1,385** | 7,077 | **263** | 1,311 |
| Inter corporate deposit given to related party | **5,00,000** | 5,00,000 | **95,085** | 92,590 |
| Deposits | **10,260** | 13,260 | **1,952** | 2,455 |
| Other receivables from related parties | **9,869** | 9,773 | **1,877** | 1,810 |
| | **32,17,210** | 28,14,340 | **6,11,817** | 5,21,159 |

## 5. CONTRACT AND OTHER RECEIVABLES (contd.)

5.2 The movements in the allowances for expected credit losses account against contract receivables are as follows:

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Opening balance | **1,53,076** | 1,45,400 | **28,347** | 26,390 |
| Expected credit loss allowance made during the year as per IFRS 9 | **1,369** | 7,676 | **257** | 1,407 |
| Closing balance | **1,54,445** | 1,53,076 | **29,371** | 28,347 |

5.3 The following table provides information about the ageing profile for trade receivables as at the year end.

| Ageing profile | Total | | 0-1 year | | 1-2 years | | 2-3 years | | Above 3 years | |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO | ₹ in '000s | RO | ₹ in '000s | RO | ₹ in '000s | RO | ₹ in '000s | RO | ₹ in '000s |
| **2020** | **28,23,154** | **5,36,880** | **22,66,896** | **4,31,096** | **2,96,406** | **56,368** | **1,08,224** | **20,581** | **1,51,628** | **28,835** |
| 2019 | 24,10,456 | 4,46,369 | 20,73,653 | 3,83,999 | 1,81,272 | 33,569 | 92,889 | 17,201 | 62,642 | 11,600 |

5.4 The Company uses an expected credit loss allowance matrix / model to measure the expected credit losses of contract receivables. Accordingly, allowance for expected credit loss of RO 1,54,445 (₹ 2.94 crores) has been recognised as at the year end. Any difference between the said allowance for expected losses and actual credit losses that would be known / incurred in future would be charged to profit or loss in the future years in which the actual credit losses are incurred.

5.5 The inter corporate deposit given to related party is unsecured, carrying interest rate of 5% per annum and having maturity date of 30th June, 2021.

## 6. OTHER CURRENT ASSETS

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Prepayments | **44,178** | 53,669 | **8,401** | 9,938 |
| Advance to supplier – related party | **209** | 209 | **40** | 39 |
| Advance to suppliers – others | **1,08,046** | 65,764 | **20,547** | 12,178 |
| | **1,52,433** | 1,19,642 | **28,988** | 22,155 |

## 7. CONTRACT ASSETS

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| 7.1 Amounts due from customers for contract work | **19,14,753** | 30,85,113 | **3,64,128** | 5,71,301 |
| Allowance for expected credit loss | **(40,866)** | (99,173) | **(7,771)** | (18,365) |
| | **18,73,887** | 29,85,940 | **3,56,357** | 5,52,936 |
| Retentions receivable | **8,27,156** | 7,59,298 | **1,57,300** | 1,40,608 |
| Interest accrued on bank fixed deposits | **3,707** | 20,655 | **705** | 3,825 |
| | **27,04,750** | 37,65,893 | **5,14,362** | 6,97,369 |
| Disclosed as: | | | | |
| Non-current contract assets | **2,62,234** | 1,09,369 | **49,869** | 20,253 |
| Current contract assets | **24,42,516** | 36,56,524 | **4,64,493** | 6,77,116 |
| | **27,04,750** | 37,65,893 | **5,14,362** | 6,97,369 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**7. CONTRACT ASSETS (contd.)**

7.2 Amounts due from customers for contract work include RO 19,532 (₹ 0.37 crore) [Previous year: RO 29,653 (₹ 0.55 crore)] due from a related party.

7.3 The movements in the allowance for expected credit losses account against amounts due from customers for contract works is as follows:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Opening balance | **99,173** | — | **18,365** | — |
| Expected credit loss allowance (reversal) / made during the year as per IFRS 9 (Note 15) | **(58,307)** | 99,173 | **(10,943)** | 18,182 |
| Closing balance | **40,866** | 99,173 | **7,771** | 18,365 |

7.4 The following table provides information about the ageing profile for retentions receivable as at the year end.

| Ageing profile | Total | | 0-1 year | | 1-2 years | | 2-3 years | | Above 3 years | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** |
| **2020** | **8,27,156** | **1,57,300** | **3,84,169** | **73,057** | **4,10,763** | **78,115** | — | — | **32,224** | **6,128** |
| 2019 | 7,59,298 | 1,40,608 | 6,54,252 | 1,21,155 | 69,107 | 12,797 | 27,917 | 5,170 | 8,022 | 1,486 |

**8. CASH AND CASH EQUIVALENTS**

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Bank balances: | | | | |
| Current accounts | **2,76,568** | 1,48,386 | **52,595** | 27,478 |
| Smart card balances | **3,070** | 6,644 | **584** | 1,230 |
| | **2,79,638** | 1,55,030 | **53,179** | 28,708 |
| Cash on hand | **34** | 48 | **6** | 9 |
| | **2,79,672** | 1,55,078 | **53,185** | 28,717 |

The credit facilities from banks are secured by way of:

(a) Lien on fixed deposits of RO 2,90,000 (₹ 5.51 crores) with the banks.

(b) Assignment letters from major customers.

(c) Proportionate guarantee of Lalbuksh Contracting and Trading Establishment for RO 10,04,000 (₹ 19.09 crores).

(d) Proportionate guarantee from Voltas Limited India for RO 5,02,000 (₹ 9.55 crores).

(e) Proportionate guarantee from Voltas Netherlands B.V. for RO 10,04,000 (₹ 19.09 crores).

(f) Corporate guarantee from Voltas Netherlands B.V. for RO 20,00,000 (₹ 38.03 crores).

(g) Corporate guarantee from Lalbuksh Contracting and Trading Establishment for RO 20,00,000 (₹ 38.03 crores).

(h) Corporate guarantee from Voltas Limited for RO 10,00,000 (₹ 19.02 crores).

(i) Corporate guarantee of RO 15,00,000 (₹ 28.53 crores) from Lalbuksh Contracting and Trading Establishment.

Bank facilities are subject to financial covenants.

**9. OTHER FINANCIAL ASSETS**

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Fixed deposits with banks | **4,94,509** | 4,89,738 | **94,041** | 90,690 |

Fixed deposits of RO 2,90,000 (₹ 5.51 crores) [Previous year: RO 2,87,972 (₹ 5.33 crores)] are pledged with banks as security against credit facilities.

## 10. SHARE CAPITAL

The share capital comprises 2,50,000 shares (Previous year: 2,50,000 shares) of face value RO 1 each, fully paid.

## 11. TRADE AND OTHER PAYABLES

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Trade payables – others | **10,91,028** | 14,21,635 | **2,07,480** | 2,63,257 |
| Accruals * | **2,55,264** | 4,64,769 | **48,544** | 86,066 |
| Amounts due to related parties | **62,266** | 38,198 | **11,841** | 7,074 |
| | **14,08,558** | 19,24,602 | **2,67,865** | 3,56,397 |

* Accruals include RO 843 (₹ 0.02 crore) [Previous year: RO 7,119 (₹ 0.13 crore)] due to a related party.

## 12. CONTRACT LIABILITIES

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| (a) Amounts due to customers for contract work | **1,33,135** | 92,425 | **25,318** | 17,116 |
| (b) Advance from customers | **5,26,965** | 7,84,493 | **1,00,213** | 1,45,272 |
| | **6,60,100** | 8,76,918 | **1,25,531** | 1,62,388 |
| Disclosed as: | | | | |
| Non-current contract liabilities | — | — | — | — |
| Current contract liabilities | **6,60,100** | 8,76,918 | **1,25,531** | 1,62,388 |
| | **6,60,100** | 8,76,918 | **1,25,531** | 1,62,388 |

Amounts due to customers for contract works include RO Nil (₹ Nil) [Previous year: RO 323 (₹ 0.01 crore)] due to a related party.

## 13. REVENUE

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Contract works executed | **45,57,421** | 68,83,362 | **8,55,337** | 12,61,996 |

- The Company recognises revenue from the transfer of goods and services over period of time. The disaggregated revenue from contracts with customers by geographical segments and contract type is presented below. The Management believes that this best depicts the nature, amount, timing and uncertainty of the Company's revenue and cash flows.

| **Primary Geographical segments** | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Sultanate of Oman | **45,57,421** | 68,83,362 | **8,55,537** | 12,61,996 |
| Others | — | — | — | — |
| | **45,57,421** | 68,83,362 | **8,55,537** | 12,61,996 |
| Major goods / service lines | | | | |
| Contract work executed | **45,33,113** | 67,31,557 | **8,50,775** | 12,34,164 |
| Maintenance contracts | **24,308** | 1,51,805 | **4,562** | 27,832 |
| | **45,57,421** | 68,83,362 | **8,55,337** | 12,61,996 |
| Timing of revenue recognition | | | | |
| Over period of time | **45,57,421** | 68,83,362 | **8,55,337** | 12,61,996 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 14. COST OF WORKS EXECUTED

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Materials consumed* | **12,84,445** | 25,16,135 | **2,41,065** | 4,61,309 |
| Labour expenses | **15,35,662** | 17,55,911 | **2,88,213** | 3,21,929 |
| Sub-contract expenses | **6,53,635** | 7,38,215 | **1,22,674** | 1,35,344 |
| Depreciation | **55,016** | 48,878 | **10,325** | 8,961 |
| Other direct expenses | **3,94,027** | 8,70,325 | **73,951** | 1,59,565 |
| | **39,22,785** | 59,29,464 | **7,36,228** | 10,87,108 |

*Includes RO 27,209 (₹ 0.51 crore) reversal of inventory provision made during the year.

### 15. OTHER OPERATING INCOME

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Credit balances written back for provisions | **68,194** | 82,213 | **12,799** | 15,073 |
| Profit on sale of fixed assets | **39,988** | 1,88,354 | **7,505** | 34,533 |
| Write back of allowance for expected credit loss on contract assets (Note 7.3) | **58,307** | — | **10,943** | — |
| Miscellaneous income | **18,380** | 20,460 | **3,449** | 3,751 |
| | **1,84,869** | 2,91,027 | **34,696** | 53,357 |

### 16. OTHER OPERATING EXPENSES

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Rent | **30,355** | 65,360 | **5,697** | 11,983 |
| Repairs and maintenance | **29,174** | 29,094 | **5,475** | 5,334 |
| Insurance | **4,949** | 9,780 | **929** | 1,793 |
| Electricity and water charges | **5,722** | 5,398 | **1,074** | 990 |
| Telephones, fax and postage | **8,766** | 8,197 | **1,645** | 1,503 |
| Travelling and conveyance | **554** | 4,638 | **104** | 850 |
| Vehicle expenses | **3,253** | 8,088 | **611** | 1,483 |
| Advertisement and business promotion expenses | — | 2,399 | — | 440 |
| Printing and stationery | **2,279** | 5,232 | **428** | 959 |
| Visa expenses | — | 1,474 | — | 270 |
| Miscellaneous expenses | **13,672** | 25,617 | **2,566** | 4,697 |
| | **98,724** | 1,65,277 | **18,529** | 30,302 |

### 17. INTEREST INCOME

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Interest income on: | | | | |
| Inter corporate deposit to a related party | **25,068** | 24,656 | **4,705** | 4,521 |
| Fixed deposits | **14,615** | 24,329 | **2,743** | 4,460 |
| | **39,683** | 48,985 | **7,448** | 8,981 |

## 18. DIVIDENDS

Dividend declared and paid of RO 3,00,000 (₹ 5.63 crores) [Previous year: RO 7,00,000 (₹ 12.41 crores)] represents dividend per share of RO 1.200 (₹ 225.22) [Previous year: RO 2.800 (₹ 496.50)].

## 19. RELATED PARTIES

The Company enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. The Management considers such transactions to be in the normal course of business. Related parties comprise parent company, fellow subsidiaries, companies under common ownership and / or common management control and members. The balances with related parties at the year end have been separately disclosed in the financial statements. The nature of significant related party transactions and the amounts involved are as follows:

| | **Fellow subsidiaries** | **Directors / Members** | **Total** | Total 2019 | **Total** | Total 2019 |
|---|---|---|---|---|---|---|
| | **RO** | **RO** | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Rent expense | — | **69,855** | **69,855** | 74,360 | **13,110** | 13,633 |
| Director's remuneration | — | **8,700** | **8,700** | 8,700 | **1,633** | 1,595 |
| Dividend paid | — | **3,00,000** | **3,00,000** | 7,00,000 | **56,304** | 1,24,126 |
| Purchases and expenses | **7,185** | — | **7,185** | 3,911 | **1,348** | 717 |
| Revenue | **73,868** | — | **73,868** | 1,44,401 | **13,864** | 26,474 |
| Inter corporate deposit given | — | — | — | 5,00,000 | — | 92,590 |
| Interest on inter corporate deposit | **25,068** | — | **25,068** | 24,656 | **4,705** | 4,520 |

## 20. TAXATION

(a) The accounting net profit for the year has been adjusted in respect of provisions and other disallowances for the purpose of determining the taxable profit for the year. Taxation has been provided at the applicable rate of 15% (Previous year: 15%) in accordance with Income Tax Law in Oman. Taxation for the tax years 2017 to 2020 are subject to agreement with the taxation authorities.

(b) The income tax expense per the statement of comprehensive income comprises:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Current tax | | | | |
| Charge for the current year | **96,011** | 1,28,953 | **18,019** | 23,642 |
| Income tax expenses | **96,011** | 1,28,953 | **18,019** | 23,642 |

(c) The reconciliation between the income tax expense on the accounting profit and income tax expense in the statement of comprehensive income is as follows:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Tax on accounting profit of RO 6,25,605 (₹ 11.74 crores) [Previous year: RO 8,39,409 (₹ 15.39 crores)] at applicable tax rates | **93,841** | 1,25,911 | **17,612** | 23,085 |
| Add / less tax effect of: | | | | |
| Expenses disallowable | **180** | 180 | **34** | 33 |
| Depreciation adjustment based on depreciation rates as per tax law | **3,587** | 1,545 | **673** | 283 |
| Expected credit loss allowance made for doubtful contract receivables and contract assets not considered as deductible expense for tax purposes | **205** | 16,027 | **38** | 2,938 |
| Balancing charge | — | 12,512 | — | 2,294 |
| Profit on disposals of property, plant and equipment | **(5,998)** | (28,253) | **(1,126)** | (5,180) |
| Reversal of allowance for expected credit loss for contract assets and provision for inventories | **(12,827)** | — | **(2,407)** | — |
| Other disallowances / adjustments (net) | **17,023** | 1,031 | **3,195** | 189 |
| Tax expense per statement of comprehensive income | **96,011** | 1,28,953 | **18,019** | 23,642 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**20. TAXATION (contd.)**

(d) The movements in the current tax payable account are as follows:

| | **2020** | 2019 | **2020** | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Opening balance | **1,25,757** | 1,35,171 | **23,288** | 24,534 |
| (-) Payment made during the year | **(1,27,923)** | (1,38,367) | **(23,453)** | (24,073) |
| Provision for tax made for the year | **96,011** | 1,28,953 | **18,019** | 23,642 |
| | **93,845** | 1,25,757 | **17,847** | 23,288 |

**21. FINANCIAL INSTRUMENTS**

**Management of risk**

The Management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed. The primary risks to which the business is exposed comprise credit, exchange rate, liquidity and interest rate risks.

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up.

The Company buys goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the Rials Omani is pegged.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

Exposures to the aforementioned risks are detailed below:

**(a) CREDIT, INTEREST RATE AND EXCHANGE RATE RISK EXPOSURES**

**Credit risk**

Financial assets which potentially expose the Company to credit risks and concentrations of credit risk comprise principally, bank accounts, contract and other receivables, contract assets. The maximum credit risk exposure of financial assets recognised in the statement of financial position approximate to the carrying amount of the assets net of allowance.

The Company's bank current, smart card, fixed and time deposit accounts are placed with reputed financial institutions. Contract and other receivables are stated net of allowances for expected credit losses.

As at the year end,

(i) RO 22,59,713 (₹ 42.97 crores) constituting 62% [Previous year: RO 14,28,752 (₹ 26.46 crores) constituting 45%] of contract debtors and retentions are due from three debtors (Previous year: two debtors).

(ii) Amounts due from customers for contract works of RO 10,93,229 (₹ 20.79 crores) [Previous year: RO 20,15,925 (₹ 37.33 crores)] constituting 57% (Previous year: 65%) are due from four (Previous year: four) customers.

(iii) Inter corporate deposit of RO 5,00,000 (₹ 9.51 crores) constitutes 16% of contract and other receivables.

There are no other significant concentrations of credit risk with any single debtor or group of companies or to debtors outside the industry and the country in which the Company operates.

**Risk exposure on uncertified debts**

At the year end, uncertified dues of RO 1,81,852 (₹ 3.46 crores) (comprising dues from main contract of RO 1,73,830 (₹ 3.31 crores) and dues of RO 8,022 (₹ 0.15 crore) for retentions) pertaining to different contracts, are outstanding for more than one year and are receivable from various customers, against which a provision of RO 1,54,445 (₹ 2.94 crores) has been made by the Company's Management. Whilst the ultimate outcome of the aforesaid contract matters, certification delays, variation orders, etc. is uncertain and subject to future negotiations, no further provision for possible loss on these dues has been made in the financial statements as the Management believes that the said matters would be suitably resolved in future without any material impact on the Company.

## 21. FINANCIAL INSTRUMENTS (contd.)

**Risk exposure on inter corporate deposit receivable from a related party**

As at the year end, the inter corporate deposit of RO 5,00,000 (₹ 9.51 crores) was due from a related party which has incurred significant accumulated losses and the equity fund of the company is fully eroded. However, as per the Company's Management no allowance for expected credit losses on the above has been made in the Company's financial statements as they believe that the amounts will be recovered in due course.

**Interest rate risk**

The Company's fixed deposits are at interest rates of 2.25% to 3.50% per annum (Previous year: 3.25% to 3.75% per annum). Inter corporate deposit is at interest rate of 5% per annum. Most of the other financial assets and liabilities are non-interest bearing. Reasonably possible changes to interest rates at the year end are unlikely to have a significant impact on profit or equity.

**(b) FAIR VALUES**

The fair values of the Company's financial assets and financial liabilities approximate to their carrying values net of provisions. The fair values of cash and cash equivalents, contract receivables, other receivables, contract assets, other current assets, trade and other payables and contract liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Liquidity risk**

The Company limits its liquidity risk by ensuring that adequate bank facilities are available to enable it to meet its obligations as they fall due for payment. The maturity analysis of the Company's financial liabilities as at the year end is given below:

| | **Less than 1 year** | **1 year to 5 years** | **Total** | **Total** |
|---|---|---|---|---|
| | **RO** | **RO** | **RO** | **₹ in '000s** |
| **As at 31st December, 2020** | | | | |
| Staff end-of-service gratuity | — | **2,80,080** | **2,80,080** | **53,263** |
| Trade and other payables | **14,08,558** | — | **14,08,558** | **2,67,865** |
| Contract liabilities | **6,60,100** | — | **6,60,100** | **1,25,531** |
| Current tax payable | **93,845** | — | **93,845** | **17,847** |
| | **21,62,503** | **2,80,080** | **24,42,583** | **4,64,506** |

| | Less than 1 year | 1 year to 5 years | Total | Total |
|---|---|---|---|---|
| | RO | RO | RO | ₹ in '000s |
| As at 31st December, 2019 | | | | |
| Staff end-of-service gratuity | — | 2,71,710 | 2,71,710 | 50,315 |
| Trade and other payables | 19,24,602 | — | 19,24,602 | 3,56,398 |
| Contract liabilities | 8,76,918 | — | 8,76,918 | 1,62,388 |
| Current tax payable | 1,25,757 | — | 1,25,757 | 23,288 |
| | 29,27,277 | 2,71,710 | 31,98,987 | 5,92,389 |

## 22. CONTINGENT LIABILITIES

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Banker's letters of guarantees and bonds | **28,82,784** | 24,14,004 | **5,48,219** | 4,47,025 |
| Unutilised letters of credit | **2,26,972** | — | **43,163** | — |
| | **31,09,756** | 24,14,004 | **5,91,382** | 4,47,025 |

As is common in the contracting industry, there are certain ongoing pending matters under negotiations with the clients / consultants relating to possible penalties for delays in job completion, claim of suppliers / subcontractors not accepted by the Company, work disputes, recovery of uncertified contract / variation work dues, etc., whose actual occurrence and financial impact cannot be ascertained at the present stage.

## 23. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to ensure that the Company continues as a going concern, maintains an optimal capital structure to reduce the cost of capital, and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed. Capital comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

*Directors* **Issa Lalbuksh Al Raisi**
**A. R. Suresh Kumar**

*Muscat, 22nd March, 2021*

# VOLTAS OMAN L.L.C.

Directors:

**Anil George** *(Chairman)*

**Akber M. Sultan** *(Vice Chairman)*

**A. R. Suresh Kumar**

**K. Prabhakar**

**Rajeev Sharma**

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Directors present the Tenth Annual Report and Accounts for the year ended 31st December, 2020.

2. The on-going COVID-19 pandemic severely impacted the performance and the Company has reported lower turnover of Rials Omani (RO) 3.137 million as compared to RO 7.730 million in the previous year. Provisions for Expected Credit Loss of RO 2.223 million on receivables resulted in the Company reporting loss of RO 2.927 million for the year under review.

3. In view of the accumulated losses, the Directors do not recommend any dividend for the year ended 31st December, 2020 (Previous year: Nil). The Shareholder (Voltas Netherlands B.V.) has agreed to provide necessary business support, including additional funding if so required to the Company and the financial statements for the year ended 31st December, 2020 have been prepared on the basis that the Company will continue as a going concern.

4. M/s. PKF L.L.C., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

**Akber M. Sultan**

**A. R. Suresh Kumar**

*Muscat, 20th April, 2021*

## INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF**

**VOLTAS OMAN L.L.C.**

**Opinion**

We have audited the financial statements of **VOLTAS OMAN L.L.C.** (the Company), which comprise the statement of financial position as at 31st December, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note number 2.3 in the financial statements, which indicates that the Company has incurred significant accumulated losses of RO 40,68,485 (₹ 77.37 crores) and has a deficit in members' / equity funds of RO 34,94,500 (₹ 66.45 crores) as at 31st December, 2020. However, members have agreed to continue with the operations of the Company and have agreed to provide continuing financial support to enable the Company to discharge its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

**Emphasis of Matters**

We draw attention to:

- Note numbers 2.3 and 2.6 to these financial statements regarding Company's Management's assessment of the impact of COVID-19 on the going concern and financial statements.
- Note number 19 to these financial statements regarding classification of reversal of an exceptional item.
- Note number 22 to these financial statements regarding credit risk exposures and unapproved variations respectively.

Our opinion is not modified in respect of these matters.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**PKF L.L.C.**
*Chartered Accountants*
Sultanate of Oman

*Muscat, 20th April, 2021*

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2020

| | Notes | RO | As at 31-12-2019 RO | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 3 | **96,191** | 1,33,399 | **18,292** | 24,702 |
| Right-of-use asset | 4 | — | 6,885 | — | 1,275 |
| Long term deposits | 5 | **1,018** | 1,018 | **194** | 189 |
| | | **97,209** | 1,41,302 | **18,486** | 26,166 |
| **CURRENT ASSETS** | | | | | |
| Contract and other receivables | 5 | **7,61,750** | 42,14,298 | **1,44,862** | 7,80,404 |
| Other assets | 6 | **80,727** | 1,13,656 | **15,352** | 21,047 |
| Contract assets | 7 | **46,22,274** | 70,61,042 | **8,79,018** | 13,07,564 |
| Cash and cash equivalents | 9 | **2,16,328** | 4,940 | **41,139** | 915 |
| | | **56,81,079** | 1,13,93,936 | **10,80,371** | 21,09,930 |
| **TOTAL ASSETS** | | **57,78,288** | 1,15,35,238 | **10,98,857** | 21,36,096 |
| **EQUITY AND LIABILITIES** | | | | | |
| **MEMBERS' FUNDS** | | | | | |
| Share capital | 10 | **5,00,000** | 5,00,000 | **95,085** | 92,590 |
| Legal reserve | | **73,985** | 73,985 | **14,070** | 13,701 |
| Accumulated losses | | **(40,68,485)** | (11,41,228) | **(7,73,704)** | (2,11,333) |
| **Deficit in members' / equity funds** | | **(34,94,500)** | (5,67,243) | **(6,64,549)** | (1,05,042) |
| **NON-CURRENT LIABILITY** | | | | | |
| Staff end-of-service gratuity | | **1,27,457** | 1,36,031 | **24,239** | 25,190 |
| **CURRENT LIABILITIES** | | | | | |
| Bank borrowings | 11 | **42,06,833** | 45,21,799 | **8,00,013** | 8,37,347 |
| Contract and other payables | 12 | **40,43,719** | 53,58,068 | **7,68,994** | 9,92,207 |
| Contract liabilities | 13 | **8,93,150** | 20,31,656 | **1,69,850** | 3,76,222 |
| Lease liability | | — | 6,932 | — | 1,284 |
| Current tax payable | 20 | **1,629** | 47,995 | **310** | 8,888 |
| | | **91,45,331** | 1,19,66,450 | **17,39,167** | 22,15,948 |
| **TOTAL EQUITY AND LIABILITIES** | | **57,78,288** | 1,15,35,238 | **10,98,857** | 21,36,096 |

The accompanying notes form an integral part of these financial statements.

**Note:** The Statement of Financial Position has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹190.17 being the exchange rate prevailing as on 31st December, 2020. Previous year figures have been converted @ 1 RO = ₹ 185.18 being the exchange rate prevailing as on 31st December, 2019.

*Directors* **Akber M. Sultan**
**A. R. Suresh Kumar**
**Rajeev Sharma**

*Muscat, 20th April, 2021*

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | Notes | RO | 2019 RO | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|---|
| **REVENUE** | 14 | **31,36,510** | 77,29,935 | **5,88,660** | 14,17,206 |
| Cost of works executed | 15 | **(36,74,946)** | (72,21,978) | **(6,89,714)** | (13,24,077) |
| **GROSS (LOSS) / PROFIT** | | **(5,38,436)** | 5,07,957 | **(1,01,054)** | 93,129 |
| Other operating income | 16 | **19,538** | 19,292 | **3,667** | 3,537 |
| Staff costs | | **(3,42,881)** | (1,35,215) | **(64,352)** | (24,790) |
| Depreciation | 3 | **(2,854)** | (14,237) | **(536)** | (2,610) |
| Allowance for expected credit losses | 5 & 7 | **(22,23,340)** | (13,17,440) | **(4,17,276)** | (2,41,539) |
| Other operating expenses | 17 | **(66,044)** | (66,477) | **(12,395)** | (12,188) |
| **LOSS FROM OPERATING ACTIVITIES FOR THE YEAR** | | **(31,54,017)** | (10,06,120) | **(5,91,946)** | (1,84,461) |
| Finance costs | 18 | **(1,26,712)** | (3,864) | **(23,781)** | (708) |
| Exceptional item | 19 | **3,53,472** | 3,93,828 | **66,340** | 72,204 |
| **NET LOSS FOR THE YEAR BEFORE TAX** | | **(29,27,257)** | (6,16,156) | **(5,49,387)** | (1,12,965) |
| Income tax expenses | 20 | **—** | (46,554) | **—** | (8,535) |
| **NET LOSS FOR THE YEAR AFTER TAX** | | **(29,27,257)** | (6,62,710) | **(5,49,387)** | (1,21,500) |
| **Other comprehensive income / (loss) for the year** | | — | — | — | — |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(29,27,257)** | (6,62,710) | **(5,49,387)** | (1,21,500) |

The accompanying notes form an integral part of these financial statements.

**Note:** The Statement of Comprehensive Income has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 187.68 being the average of the exchange rates prevailing as on 31st December, 2020 (1 RO = ₹ 190.17) and as on 31st December, 2019 (1 RO = ₹ 185.18). Previous year figures have been converted into Indian Rupees @ 1 RO = ₹ 183.34 being the average of the exchange rates prevailing as on 31st December, 2019 (1 RO = ₹ 185.18) and as on 31st December, 2018 (1 RO = ₹ 181.50).

*Directors* **Akber M. Sultan**
**A. R. Suresh Kumar**
*Muscat, 20th April, 2021* **Rajeev Sharma**

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | Share capital | | Legal reserve | | Accumulated losses | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** | **RO** | **₹ in '000s** |
| As at 31st December, 2018 | 5,00,000 | 90,750 | 73,985 | 13,428 | (4,78,518) | (86,851) | 95,467 | 17,327 |
| Total Comprehensive loss for the year | — | — | — | — | (6,62,710) | (1,21,500) | (6,62,710) | (1,21,500) |
| As at 31st December, 2019 | 5,00,000 | 92,590 | 73,985 | 13,701 | (11,41,228) | (2,11,333) | (5,67,243) | (1,05,042) |
| Total Comprehensive loss for the year | — | — | — | — | (29,27,257) | (5,49,388) | (29,27,257) | (5,49,388) |
| **As at 31st December, 2020** | **5,00,000** | **95,085** | **73,985** | **14,070** | **(40,68,485)** | **(7,73,704)** | **(34,94,500)** | **(6,64,549)** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| **Cash flows from operating activities** | | | | |
| Net loss for the year before tax | **(29,27,257)** | (6,16,156) | **(5,49,387)** | (1,12,965) |
| Adjustments for: | | | | |
| Depreciation | **62,803** | 77,580 | **11,787** | 14,224 |
| Exceptional item | **(3,53,472)** | (3,93,828) | **(66,340)** | (72,204) |
| Finance costs | **1,26,712** | 4,691 | **23,781** | 860 |
| **Operating loss before changes in operating assets and liabilities** | **(30,91,214)** | (9,27,713) | **(5,80,159)** | (1,70,085) |
| Change in contract and other receivables | **34,52,548** | (4,13,455) | **6,35,542** | (90,551) |
| Change in other assets | **32,929** | 3,51,408 | **5,695** | 63,362 |
| Change in contract assets | **27,92,240** | (10,52,108) | **4,94,002** | (2,18,243) |
| Change in contract and other payables | **(13,14,349)** | 2,80,801 | **(2,23,213)** | 70,686 |
| Change in staff end-of-service gratuity | **(8,574)** | 2,349 | **(952)** | 924 |
| Change in contract liabilities | **(11,38,506)** | 5,49,628 | **(2,06,372)** | 1,07,234 |
| **Cash generated from / (used in) operating activities** | **7,25,074** | (12,09,090) | **1,37,887** | (2,23,899) |
| Tax paid | **(46,367)** | (37,703) | **(8,501)** | (6,560) |
| **Net cash generated from / (used in) operating activities (A)** | **6,78,707** | (12,46,793) | **1,29,070** | (2,30,881) |
| **Cash flows from investing activity** | | | | |
| Purchase of property, plant and equipment | **(18,710)** | (38,577) | **(3,511)** | (7,073) |
| **Net cash used in investing activity (B)** | **(18,710)** | (38,577) | **(3,558)** | (7,144) |
| **Cash flows from financing activities** | | | | |
| (Repayment of) / proceeds from bank borrowings | **(3,14,966)** | 11,22,074 | **(37,333)** | 2,20,297 |
| Payment of lease liabilities | **(7,500)** | (15,000) | **(1,408)** | (2,750) |
| Finance cost paid | **(1,26,143)** | (3,864) | **(23,675)** | (708) |
| **Net cash (used in) / from financing activities (C)** | **(4,48,609)** | 11,03,210 | **(85,312)** | 2,04,292 |
| **Net increase / (decrease) in cash and cash equivalents (A+B+C)** | **2,11,388** | (1,82,160) | **40,224** | (33,044) |
| **Cash and cash equivalents at beginning of year** | **4,940** | 1,87,100 | **915** | 33,959 |
| **Cash and cash equivalents at end of year** | **2,16,328** | 4,940 | **41,139** | 915 |

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

## 1. LEGAL STATUS AND BUSINESS ACTIVITY

(a) **VOLTAS OMAN L.L.C.** is a Limited Liability Company, registered under the Commercial Laws of the Sultanate of Oman.

(b) The parent company is Voltas Netherlands B.V. and the ultimate parent company is Voltas Limited, Mumbai, India.

(c) The Company trades in air conditioners, undertakes electrical, heating, ventilating, air-conditioning and mechanical contracting works and service and maintenance of the same.

## 2. BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations, issued or adopted by the International Accounting Standards Board, and which are effective for the current accounting period, and the applicable requirements of the Oman Commercial Companies Law.

### 2.2 BASIS OF MEASUREMENT

The financial statements are prepared under the historical cost convention. Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability. 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.

### 2.3 GOING CONCERN CONCEPT

- The financial statements are prepared on a going concern basis.

  When preparing financial statements, Management shall make an assessment of the Company's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

- As per the statement of financial position, the Company has an accumulated net losses of RO 40,68,485 (₹ 77.37 crores) and has a deficit in member's / equity fund of RO 34,94,500 (₹ 66.45 crores) as at 31st December, 2020. The Company is dependent upon the continued financial support from its bankers and its related parties. The financial statements have been prepared on a going concern basis as:

  (i) The Company will continue to receive financial support from its bankers, related parties and members in order that it can meet its liabilities as and when they fall due; and

  (ii) The members have agreed to continue with the operations of the Company, and the Company would be able to generate sufficient net profits in future to make it an economically viable unit.

The Company's Management has assessed the impact of COVID 19 on its liquidity, bank facilities, disruption of business operations, supply chains and demand drivers, impairment of its assets, etc., which may lead to solvency issue and have concluded that in spite of the challenges, the Company will remain solvent and continue as going concern in future.

### 2.4 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are prepared in Rials Omani, which is the functional and presentation currency.

### 2.5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted, that have been consistently applied (except as mentioned in Note 2.8), are as follows:

**(a) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on straight-line basis to write off the cost of property, plant and equipment less their estimated residual value, where material, in equal annual instalments over their estimated useful lives. Depreciation has been calculated from the date of acquisition at the following rates:

| | |
|---|---|
| Temporary structures | 15.00% |
| Equipment | 15.00% |
| Furniture and fixtures | 33.33% |
| Computers and software | 33.33% |
| Vehicles | 33.33% |

An assessment of depreciation method, useful lives and residual values are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)

**(b) Impairment of non-financial assets**

The carrying amounts of the property, plant and equipment are reviewed at each year end to determine whether there is any indication of impairment. If any such indication exists, their recoverable amount is estimated. Recoverable amount is the higher of fair value less cost to sell and value in use. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the property, plant and equipment exceeds its recoverable amount.

**(c) Inventories**

Inventories have been bought specifically for jobs and therefore have been considered as fully consumed on that specific job and therefore booked as job costs.

**(d) Contract and other receivables**

Contract receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a short period and therefore are all classified as current. Contract receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the contract receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Contract receivables are stated at original invoice amount less allowance for expected credit losses. Bad debts are written off or fully provided for as they arise.

**(e) Contract assets**

A Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Contract assets are transferred to receivables when the rights become unconditional.

**(f) Amounts due from / to customers for contract work**

Amounts due from / to customers for contract work represents costs incurred on contracts plus recognised profits less recognised losses and progress billings. Contract costs comprises costs of materials, labour, sub-contract costs and attributable overheads.

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank current and smart card accounts and deposits free of encumbrance with a maturity date of three months or less from the date of deposit.

**(h) Equity**

Share capital is recorded at the value of proceeds received towards interest in share capital of the Company.

**(i) Legal reserve**

Legal reserve is created by appropriating 10% of the net profit for the year as required by the Commercial Companies Law of Oman. The Company may resolve to discontinue such annual transfers when the reserve totals 33.33% of the paid up share capital. In the current year, there is no transfer to legal reserve as the Company has incurred a net loss during the year. The reserve is not available for distribution.

**(j) Employees benefit costs**

The Company contributes to the Social Security Scheme under Royal Decree 72/91 (Defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with Omani Social Insurance Law 1991) for Omani employees, administered by the Government of Sultanate of Oman.

Accruals for employees benefits comprising leave salary, and end-of-service gratuity for non-Omani employees is in accordance with Company's rules and is based on the liability which would arise if the employment of all staff were terminated at the year end. The total expense recognised in the statement of comprehensive income for staff end-of-service gratuity amounts to RO 55,803 (₹ 1.05 crores) [Previous year: RO 1,11,200 (₹ 2.04 crores)].

Accrual for staff passage is made on proportionate leave entitlement of employees in accordance with Company's rules.

**(k) Contract and other payables**

Liabilities are recognised for amounts to be paid for goods or services received, whether billed by the suppliers or not, to the extent of goods or services certified by the Company.

**2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)**

**(l) Provisions**

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

**(m) Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**(n) Taxation**

Provision for income tax has not been made in the Company's financial statements on account of the net tax loss incurred during the year, arrived at after making suitable adjustments for likely disallowance as per the Law of Income Tax on Companies in Oman and as per Company's past completed income tax assessments to the net loss as per the Company's financial statements. As per the Income Tax Law in Oman, net tax losses incurred shall be carried forward for a period of five years after the expiry of the tax year in which it is incurred and shall be deducted in computation of taxable income of those years. The net accumulated tax loss of RO 10,35,508 (₹ 19.43 crores) for the tax year 2020 is available for set off against future taxable income in Oman. Additional income tax liability that may arise in future on completion of pending income tax assessments for the tax years 2017 to 2019 is not expected to be material to the Company's financial position and would be paid for and accounted in the financial statements of the year in which the income tax assessments are completed. Income tax assessments are pending from tax year 2017.

**(o) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**(p) Financial instruments**

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

**Recognition**

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

**De-recognition**

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished, i.e., when obligation specified in the contract is discharged, cancelled or expired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)

**Classification and Measurement**

**Financial assets**

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

**Initial measurement**

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Contract receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The contractual cash flow characteristic of a financial asset could give rise to cash flows that are 'Solely Payments of Principal and Interest' (SPPI) on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**Subsequent measurement**

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

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon de-recognition (equity instruments).
- Financial assets at fair value through profit or loss.

**Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial assets is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired.

The Company's financial assets at amortised cost includes long term deposits, contract and other receivables, contract assets and cash equivalents.

The Company does not have any financial assets at fair value through other comprehensive income with recycling of cumulative gains or losses, financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon recognition and financial assets at fair value through profit or loss.

**Impairment of financial assets**

The Company measures Expected Credit Loss (ECL) in a way that reflects:

(a) An un-biased and probability weighted amount that is determined by evaluating a range of possible outcomes;

(b) Time value of money;

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company recognises allowance for ECL for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The credit loss arises even when the Company is expected to be settled in full but later than contractual due date. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

**2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)**

Expected credit losses are recognised in two stages:

- For credit exposure for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, allowance for ECL is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For contract receivables and contract assets, the Company applies a simplified approach in calculating ECL. The Company does not track changes in credit risk, but instead recognises allowance for ECL based on lifetime ECL at each reporting date. The Company has established a provision model that is based on variety of data / factors that are determined to be predictive of the risk of loss (including but not limited to historical credit loss experience, forward looking information for contract receivables and contract assets, and available market information about customers). Accordingly, for the purpose of recognising ECL, contract receivables and contract assets are grouped on the basis of shared credit risk characteristics. ECL rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off. ECL rates are calculated separately for exposures in different segments based on the common credit risk characteristics. ECL rates are based on actual historic credit loss experience over the past few years. These rates are multiplied by forward looking adjustment factor to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

**(q) Revenue**

**Revenue from contracts with customers**

The Company trades in air conditioners, undertakes electrical, heating, ventilating, air-conditioning and mechanical contracting works and service and maintenance of the same.

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effect of significant financing components to the customer (if any).

**Significant financing component**

The Company receives short-term advance from its customers. As the period between the transfer of promised goods or services to the customer and when the customer pays for those goods or services is expected to be less than one year, the Company has used the practical expedient in IFRS 15 and not adjusted the consideration for significant financing component.

**Revenue recognition on contracts**

Contract billings are recorded on the basis of progress bills prepared by the Company's engineers and are considered as revenue to the extent that they are probable of being certified and recovered. Contract revenues are recognised over a period of time on percentage of completion method. When the outcome of a contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the year end.

The stage of completion is determined on the basis of progress on each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Conservative proportion of the profit estimated by Directors to be earned on completion of the contracts is considered by reference to the work completed at the year end. Losses, if any, on jobs not completed are provided for when identified.

**Maintenance revenue**

In respect of maintenance contracts, revenue is recognised evenly over the period of the contract.

**Sale of goods**

The Company has concluded that revenue from sale of goods should be recognised at the point in time when the control of the asset is transferred to the customer, generally on delivery of the goods.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)**

**(r) Leases**

The Company leases various assets for commercial use. Rental contracts are made for varying period / years but may have extension and renewal options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, however leased assets are not used as security for borrowing purposes.

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application (1st January, 2019):

**Right-of-use assets**

**Initial measurement**

The Company recognises right-of-use assets at the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- present value of estimated restoration costs.

**Subsequent measurement**

Subsequent to initial measurement right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses adjusted for any re-measurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-assets are depreciated on a straight-line basis over the shorter of asset's estimated useful life and the lease term.

**Lease liabilities**

The Company recognises lease liabilities at the commencement date of the lease. The lease liabilities are measured at the net present value of lease payments to be made over the lease term. The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Company; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

The Company uses its incremental borrowing rate as the discount rate in calculating the present value of lease payments if interest rate implicit in the lease is not readily determinable. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. Further, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance lease payments or a change in the assessment to purchase the underlying asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e. Asset value below RO 1,925 (₹ 0.04 crore) when new). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### (s) Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other finance costs are recognised as an expense in the year in which they are incurred.

### (t) Foreign currencies

Transactions in foreign currencies are translated into Rials Omani and recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rials Omani at the rates of exchange ruling at the year end. The resultant exchange gains and losses are recognised in the statement of comprehensive income.

## 2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

(i) The significant judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

*Impairment*

At each year end, Management conducts an assessment of property, plant, equipment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, the assets are written down to their recoverable amount.

*Classification of financial assets*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

*Leases*

*Determining the lease term*

In determining the lease term, Management considers all facts and circumstances including contractual and legal rights, that create an economic incentive to exercise an extension/renewal option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

*Discounting of lease payments*

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"), due to the absence of implicit rates in the lease contracts.

Management has applied judgements and estimates to determine the IBR at the commencement of lease, using borrowing rates that certain financial institutions would charge the Company against financing the different types of assets it leases over different terms and different ranges of values. Majority of the leases are present in the Oman and accordingly no adjustment for the economic environment was deemed required.

*COVID 19*

The Company's Management has exercised significant judgement while assessing the impact of COVID 19 on inventory obsolescence, inventory net realisable value, recoverability and impairment of assets, ECL on financial assets, warranty obligations, delay cost / penalties, contingent liabilities, etc., and has concluded that there is no material impact of COVID 19 on aforementioned matters and the financial statements. The Company's Management regularly reviews, estimates and suitably accounts for the possible financial impact of such matters based on their assessment, past experience and available information.

(ii) Key assumptions made concerning the future and other key sources of estimation uncertainty at the year end, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future year affected:

*Carrying values of property, plant and equipment*

The useful lives and residual values of property, plant and equipment are estimated based on intended use of assets and their economic lives. Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (contd.)

*Impairment*

Assessments of net recoverable amounts of property, plant, equipment are based on assumptions regarding future cash flows expected to be received from the related assets.

*Impairment of financial assets*

The allowance for ECL for financial assets are based on assumptions about the risk of default and expected loss rates. The Management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

*Contract work in progress*

Contract revenues on contracts in progress at the year end are recognised on a percentage of completion basis, that requires the Company's Management to estimate the costs expected to be incurred in future to complete the contracts. Further, profits on contracts in progress are recognized only when the final outcome can be reliably estimated.

*Contract matters*

In the contracting industry, there are various contractual matters relating to possible penalties for delays in job completion, claims of suppliers / subcontractors, work disputes, recovery of uncertified contract / variation work dues, expected costs during job warranty and defect liability period, etc., that are subject to various sources of uncertainties and future negotiations. The Management regularly reviews, estimates and suitably accounts for the possible financial impact of such contractual matters based on their assessment, past experience and available information.

*Staff end-of-service gratuity*

The Company computes the liability to staff end-of-service gratuity assuming that all employees were to leave as of the year end. The Management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

### 2.7 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

There are no International Financial Reporting Standards, amendments thereto and Interpretations issued by the IASB prior to the date the financial statements were authorised for issue but have not been applied in these financial statements as their effective date of adoption are for future accounting periods, and that are assessed by Management as likely to have an impact on these financial statements.

### 2.8 CHANGES IN ACCOUNTING POLICIES

Following are the changes in accounting policy due to adoption of new International Financial Reporting Standards during the year.

(a) **Change in accounting policy due to adoption of IFRS 16 in the current year**

IFRS 16 is effective for annual periods beginning on or after 1st January, 2019, which supersedes the previous guidance in IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases – Initiatives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. The standard requires lessees to account for most leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessor accounting remains similar to previous accounting policies. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases in case when the Company is the lessor.

The Company adopted modified retrospective application (cumulative catch-up transition method) permitted by IFRS 16 with the date of initial adoption of 1st January, 2019 along with permitted practical expedients and recognition methodology. Accordingly, the comparative information has not been restated. On transition to IFRS 16, the Company applied the standard only to those contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed after 1 January, 2019. The Company also elected to use the optional exemption for leases that at the commencement date have a lease term of 12 months or less and do not contain a purchase option (short-term leases) and leases for which the underlying asset is of low value (low-value assets).

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the leased assets. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use lease assets were recognised at an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease

**2.8 CHANGES IN ACCOUNTING POLICIES (contd.)**

payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In applying IFRS 16 for the first time, the Company also applied the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on previous assessments on whether leases are onerous; the election, by class of underlying asset, not to separate non-lease components from lease components, and instead of each lease component and any associated non-lease components on a single lease component.
- exemptions to operating leases with a remaining lease term of less than 12 months at the date of initial application.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**Transition**

The following table summarises the impact of transition to IFRS 16 on opening balance:

| | 1st January, 2019 | |
|---|---|---|
| | **RO** | **₹ in '000s** |
| Lease liability | **21,105** | **3,831** |
| Add: Prepayments | — | — |
| Less: Accruals | — | — |
| Right-of-use asset | **21,105** | **3,831** |

The right-of-use asset and lease liabilities recognised as at 1st January, 2019 are mainly determined based on the Company's expected lease renewal terms derived primarily from contractual / legal rights and Company's long-term business plans. Change in accounting policy resulting from the adoption of IFRS 16 has not resulted in any material impact on opening balance of accumulated losses or equity as of 1st January, 2019.

With regard to the impact for current year, the Company has recognised depreciation on right-of-use asset and interest expense on lease liability, instead of operating lease expenses. Adoption of IFRS 16 has also impacted the presentation in the statement of cash flows.

The following table summarises the impact of adoption of IFRS 16 on net results for current year.

| | | 2019 | |
|---|---|---|---|
| | | **RO** | **₹ in '000s** |
| Operating expense (per IAS 17) | **(A)** | **15,000** | **2,750** |
| For assets under operating lease (per IFRS 16) | | | |
| Depreciation on right-of-use asset | | **14,220** | **2,607** |
| Finance costs on lease liability | | **827** | **152** |
| | **(B)** | **15,047** | **2,759** |
| **Net decrease in net profit for the year before tax (A-B)** | | **47** | **9** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 3. PROPERTY, PLANT AND EQUIPMENT

| | Temporary structures | | Equipment | | Furniture and fixtures | | Computers and software | | Vehicles | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RO | ₹ in '000s | RO | ₹ in '000s | RO | ₹ in '000s | RO | ₹ in '000s | RO | ₹ in '000s | RO | ₹ in '000s |
| **Cost** | | | | | | | | | | | | |
| As at 1st January, 2020 | 1,83,837 | 34,043 | 55,166 | 10,216 | 51,112 | 9,465 | 1,52,538 | 28,247 | 31,350 | 5,805 | 4,74,003 | 87,776 |
| Additions | 16,950 | 3,181 | — | — | — | — | 1,760 | 330 | — | — | 18,710 | 3,511 |
| **As at 31st December, 2020** | **2,00,787** | **38,184** | **55,166** | **10,491** | **51,112** | **9,720** | **1,54,298** | **29,343** | **31,350** | **5,962** | **4,92,713** | **93,700** |
| **Accumulated depreciation** | | | | | | | | | | | | |
| As at 1st January, 2020 | 97,596 | 18,073 | 36,714 | 6,799 | 47,806 | 8,853 | 1,43,788 | 26,627 | 14,700 | 2,722 | 3,40,604 | 63,074 |
| Charge for the year | 29,894 | 5,611 | 6,009 | 1,128 | 2,131 | 400 | 7,472 | 1,402 | 10,412 | 1,954 | 55,918 | 10,495 |
| **As at 31st December, 2020** | **1,27,490** | **24,245** | **42,723** | **8,125** | **49,937** | **9,497** | **1,51,260** | **28,765** | **25,112** | **4,776** | **3,96,522** | **75,408** |
| **Net book value** | | | | | | | | | | | | |
| As at 31st December, 2019 | 86,241 | 15,970 | 18,452 | 3,417 | 3,306 | 612 | 8,750 | 1,620 | 16,650 | 3,083 | 1,33,399 | 24,702 |
| **As at 31st December, 2020** | **73,297** | **13,939** | **12,443** | **2,366** | **1,175** | **223** | **3,038** | **578** | **6,238** | **1,186** | **96,191** | **18,292** |

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Depreciation charged to cost of works executed | **53,064** | 49,123 | **9,959** | 9,007 |
| Depreciation charged to other operating expenses | **2,854** | 14,237 | **536** | 2,610 |
| **Charge for the year** | **55,918** | 63,360 | **10,495** | 11,617 |

### 4. RIGHT-OF-USE ASSET

| | Camp | |
|---|---|---|
| **Asset under operating lease** | **RO** | **₹ in '000s** |
| **Cost** | | |
| As on 1st January, 2020 | 21,105 | 3,908 |
| **As at 31st December, 2020** | **21,105** | **4,014** |
| **Accumulated depreciation** | | |
| As at 1st January, 2020 | 14,220 | 2,633 |
| Depreciation for the year | 6,885 | 1,292 |
| **As at 31st December, 2020** | **21,105** | **4,014** |
| **Net book value** | | |
| As at 31st December, 2019 | 6,885 | 1,275 |
| **As at 31st December, 2020** | — | — |

## 5. CONTRACT AND OTHER RECEIVABLES

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Contract receivables */ ** | **30,35,680** | 55,23,195 | **5,77,296** | 10,22,785 |
| Contract debtors billed on account of advances receivable for mobilization/ materials at sites | **4,961** | 4,839 | **943** | 896 |
| | **30,40,641** | 55,28,034 | **5,78,239** | 10,23,681 |
| Advance to staff | **3,513** | 3,704 | **668** | 686 |
| Deposits | **1,018** | 1,018 | **194** | 189 |
| Allowance for expected credit losses | **(22,82,404)** | (13,17,440) | **(4,34,045)** | (2,43,964) |
| | **7,62,768** | 42,15,316 | **1,45,056** | 7,80,592 |
| Classified as long term deposits | **(1,018)** | (1,018) | **(194)** | (188) |
| | **7,61,750** | 42,14,298 | **1,44,862** | 7,80,404 |

* Contract receivables includes RO 31,010 (₹ 0.59 crore) [Previous year: RO 16,206 (₹ 0.30 crore)] receivable from a related party on account of trade dealings.

** Refer to Note number 22 to these financial statements regarding credit risk exposures.

- The movement in the allowance for expected credit losses account is as follows:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Opening balance | **13,17,440** | — | **2,43,964** | — |
| Expected credit loss allowance made during the year as per IFRS 9 | **9,64,964** | 13,17,440 | **1,81,104** | 2,41,539 |
| Closing balance | **22,82,404** | 13,17,440 | **4,34,045** | 2,43,964 |

- The following table provides information about the ageing profile for contract receivables as at the year end:

| **Ageing Profile** | **Total** | **0-3 months** | **3 months to 1 year** | **1 to 2 years** | **2 to 3 years** | **3 to 6 years** | **Above 7 years** |
|---|---|---|---|---|---|---|---|
| **2020 - RO** | **30,35,680** | **74,939** | **1,35,234** | **10,22,893** | **16,88,260** | **99,354** | **15,000** |
| **2020 - ₹ in '000s** | **5,77,296** | **14,252** | **25,717** | **1,94,524** | **3,21,056** | **18,894** | **2,853** |
| 2019 - RO | 55,23,195 | 5,35,191 | 27,31,306 | 21,47,088 | 94,610 | — | 15,000 |
| 2019 - ₹ in '000s | 10,22,785 | 99,106 | 5,05,783 | 3,97,598 | 17,520 | — | 2,778 |

The Company uses an ECL allowance model to measure the ECL of contract receivables. Accordingly, allowance for ECL of RO 22,82,404 (₹ 43.40 crores) [Previous year: RO 13,17,440 (₹ 24.40 crores)] has been recognised at the year end. Any difference between the said allowance for expected losses and actual credit losses that would be known / incurred in future would be charged to profit or loss in the future years in which the actual credit losses are incurred.

## 6. OTHER ASSETS

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Prepayments | — | 7,999 | — | 1,481 |
| Advance to suppliers * | **80,727** | 1,05,657 | **15,352** | 19,566 |
| | **80,727** | 1,13,656 | **15,352** | 21,047 |

* Advance to suppliers includes RO 10,424 (₹ 0.20 crore) [Previous year: RO 2,415 (₹ 0.04 crore)] advance given to related parties.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 7. CONTRACT ASSETS

| | | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|---|
| | | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| (a) | Amounts due from customers for contract works | **38,92,466** | 55,72,342 | **7,40,230** | 10,31,887 |
| (b) | Retentions receivable | **19,52,628** | 18,27,294 | **3,71,331** | 3,38,378 |
| (c) | Accrued income * | **35,556** | 14,878 | **6,762** | 2,755 |
| | Less - Allowance for expected credit losses | **(12,58,376)** | — | **(2,39,305)** | — |
| | Less - Impairment of an amount due from a customer for contract work | **—** | (3,53,472) | **—** | (65,456) |
| | | **46,22,274** | 70,61,042 | **8,79,018** | 13,07,564 |
| | Disclosed as: | | | | |
| | Non-current contract assets | **—** | — | **—** | — |
| | Current contract assets | **46,22,274** | 70,61,042 | **8,79,018** | 13,07,564 |

* The Company has accrued income of RO 35,556 (₹ 0.68 crore) [Previous year: RO 14,878 (₹ 0.28 crore)] which has been fully billed to the customers subsequently. Accordingly, no allowance for expected credit losses against accrued income is required as at 31st December, 2020. Accrued income includes RO 5,000 (₹ 0.01 crore) [(Previous year: RO 266 (₹ 0.005 crore)] to be billed to a related party on account of trade dealings.

- The movement in the allowance for expected credit losses on contract assets is as follows:

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Opening balance | **—** | 7,289 | — | 1,323 |
| Expected credit loss allowance made during the year as per IFRS 9 | **12,58,376** | — | **2,36,172** | — |
| Allowance written back to other operating income in the statement of comprehensive income | — | (7,289) | — | (1,336) |
| Closing balance | **12,58,376** | **—** | **2,39,305** | **—** |

The Company uses an expected credit loss allowance model to measure the expected credit losses of contract assets. Accordingly, allowance for expected credit losses of RO 12,58,376 (₹ 23.93 crores) has been recognised at the year end. Any difference between the said allowance for expected losses and actual credit losses that would be known / incurred in future would be charged to profit or loss in the future years in which the actual credit losses are incurred.

- The movement in impairment of an amount due from a customer for contract work is as follows:

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Opening balance | **3,53,472** | 7,47,300 | **65,456** | 1,35,635 |
| Impairment made during the year | — | — | — | — |
| Allowance written back to statement of comprehensive income as an exceptional item (refer Note 19) | **(3,53,472)** | (3,93,828) | **(66,340)** | (72,204) |
| Closing balance | **—** | 3,53,472 | **—** | 65,456 |

### 8. CONTRACT IN PROGRESS

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Contract costs incurred plus recognised profits less recognised losses | **3,41,98,113** | 3,11,73,913 | **64,18,302** | 57,15,425 |
| Progress billings | **3,03,13,022** | 2,56,01,571 | **56,89,148** | 46,93,792 |
| Advance on contracts | **8,85,775** | 20,31,656 | **1,68,448** | 3,76,222 |
| Retentions receivables | **15,76,313** | 14,50,979 | **2,99,767** | 2,68,692 |

Refer to Note number 22 (ii) to these financial statements regarding unapproved variations.

**9. CASH AND CASH EQUIVALENTS**

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Bank balance on current accounts | **2,12,995** | 810 | **40,505** | 150 |
| Bank smart card accounts | **1,083** | 1,480 | **206** | 274 |
| Cash on hand | **2,250** | 2,650 | **428** | 491 |
| | **2,16,328** | 4,940 | **41,139** | 915 |

**10. SHARE CAPITAL**

| | Share % | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|---|
| | **Share %** | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Mustafa Sultan Enterprises L.L.C. | **35** | **1,75,000** | 1,75,000 | **33,280** | 32,406 |
| Voltas Netherlands B.V. | **65** | **3,25,000** | 3,25,000 | **61,805** | 60,184 |
| | **100** | **5,00,000** | 5,00,000 | **95,085** | 92,590 |

The share capital comprises 5,00,000 shares of face value RO 1 each, fully paid up.

**11. BANK BORROWINGS**

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Short term loans* | **5,00,000** | 5,00,000 | **95,085** | 92,590 |
| Bank overdrafts | **16,74,485** | 16,89,506 | **3,18,437** | 3,12,863 |
| Bills discounting | **6,26,310** | 13,68,002 | **1,19,105** | 2,53,327 |
| Loan against trust receipts | **14,06,038** | 9,64,291 | **2,67,386** | 1,78,567 |
| | **42,06,833** | 45,21,799 | **8,00,013** | 8,37,347 |

*Short term loans of RO 500,000 (₹ 9.51 crores) [Previous year: RO 500,000 (₹ 9.26 crores)] is from a related party, unsecured, @ 5% interest per annum and repayable on demand.

Bank facilities are secured against:

(a) Corporate guarantees from members of the Company to cover project specific facilities and additional allocation under umbrella project specific facilities to three banks.

(b) Irrevocable assignment of receivables from Company's projects financed under the umbrella project specific limits to three banks.

(c) Letter of undertaking from parent Company unconditionally and irrevocably confirming to honor bank facilities granted by a bank to the Company.

The borrowing agreements with bank contain several restrictive and financial covenants with regards to, financial updates, change in ownership, equity injection, equity infusion to reduce leverage < 4x, clean BCSB report, project specific facilities, EOT to be obtained, submission of brief profile of contract / project and assignment / award letter, financing of new projects subject to specific approval, cash flows, submission of quarterly contract progress reports, unconditionally cancel the unutilized amounts of the facilities granted at any time, routing of cash, reduction of general limits, minimum net worth, utilization of facilities, authorised contract receivables ageing to be provided every quarter, etc. Going forward in the future, Voltas Group's Management control should be with a shareholding of 99% or more and any change will require prior consent from banks.

**12. CONTRACT AND OTHER PAYABLES**

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Contract payables * | **30,30,080** | 44,79,816 | **5,76,230** | 8,29,573 |
| Accruals** | **9,85,248** | 8,40,146 | **1,87,365** | 1,55,578 |
| Provision for expenses during defect liability period | **28,391** | 38,106 | **5,399** | 7,056 |
| | **40,43,719** | 53,58,068 | **7,68,994** | 9,92,207 |

* Contract payables include RO 12,73,484 (₹ 24.22 crores) net [Previous year: RO 12,49,822 (₹ 23.14 crores) net] due to related parties, RO 47,910 (₹ 0.91 crore) [Previous year: RO 39,379 (₹ 0.73 crore)] due to parent company and RO 3,408 (₹ 0.06 crore) [Previous year: RO 2,43,399 (₹ 4.51 crores)] due to ultimate parent company on account of trade dealings.

**Accruals include RO 4,279 (₹ 0.08 crore) [Previous year: RO 6,213 (₹ 0.12 crore)] due to parent company and RO 24,916 (₹ 0.47 crore) [Previous year: RO 16,563 (₹ 0.31 crore)] due to member company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 12. CONTRACT AND OTHER PAYABLES (contd.)

The movement in provision for expenses during defect liability period account is as follows :

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Opening balance | **38,106** | 66,149 | **7,056** | 12,006 |
| Provision made during the year | — | 34,920 | — | 6,402 |
| Incurred and written off against provision during the year | **(9,715)** | (62,963) | **(1,823)** | (11,544) |
| Closing balance | **28,391** | 38,106 | **5,399** | 7,056 |

### 13. CONTRACT LIABILITIES

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Amount due to a customer for contract work | **7,375** | — | **1,402** | — |
| Advances from customer | **8,85,775** | 20,31,656 | **1,68,448** | 3,76,222 |
| | **8,93,150** | 20,31,656 | **1,69,850** | 3,76,222 |

### 14. REVENUE

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Contract revenue | **30,24,200** | 76,03,197 | **5,67,582** | 13,93,970 |
| Maintenance and service revenue | **1,12,310** | 71,302 | **21,078** | 13,072 |
| Trading revenue | — | 55,436 | — | 10,164 |
| | **31,36,510** | 77,29,935 | **5,88,660** | 14,17,206 |

The Company recognises revenue from the transfer of goods and services over a period of time and at a point in time in the Sultanate of Oman. The Company trades in air conditioners, undertakes electrical, heating, ventilating, air-conditioning and mechanical contracting works and service and maintenance of the same from such clients. The disaggregated revenue from contracts with customers by geographical segments is presented below. The Management believes that this best depicts the nature, amount, timing and uncertainty of the Company's revenue and cash flows.

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| **Timing of revenue recognition** | | | | |
| At a point in time | — | 55,436 | — | 10,164 |
| Over a period of time | **31,36,510** | 76,74,499 | **5,88,660** | 14,07,042 |
| | **31,36,510** | 77,29,935 | **5,88,660** | 14,17,206 |

### 15. COST OF WORKS EXECUTED

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Materials consumed and related expenses | **12,55,936** | 29,23,469 | **2,35,714** | 5,35,990 |
| Wages and related expenses | **15,47,974** | 27,81,065 | **2,90,524** | 5,09,881 |
| Depreciation on property, plant and equipment | **53,064** | 49,123 | **9,959** | 9,006 |
| Sub contract costs | **5,09,147** | 8,40,168 | **95,557** | 1,54,036 |
| Provision for expenses during defect liability period made | — | 34,920 | — | 6,402 |
| Depreciation on right-of-use of asset | **6,885** | 14,220 | **1,292** | 2,607 |
| Other direct costs | **2,29,159** | 4,83,208 | **43,009** | 88,591 |
| **Total A** | **36,02,165** | 71,26,173 | **6,76,055** | 13,06,513 |
| Maintenance projects, trading and service costs | **72,781** | 95,805 | **13,659** | 17,564 |
| **Total B** | **72,781** | 95,805 | **13,659** | 17,564 |
| **Grand Total A+B** | **36,74,946** | 72,21,978 | **6,89,714** | 13,24,077 |

**16. OTHER OPERATING INCOME**

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Write back of allowances for expected credit loss | — | 7,289 | — | 1,336 |
| Miscellaneous income | **19,538** | 12,003 | **3,667** | 2,201 |
| | **19,538** | 19,292 | **3,667** | 3,537 |

**17. OTHER OPERATING EXPENSES**

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Rent | **9,810** | 7,930 | **1,841** | 1,454 |
| Repairs and maintenance | **18,434** | 4,943 | **3,460** | 906 |
| Insurance | **524** | 140 | **98** | 26 |
| Electricity and water | **2,021** | 4,623 | **379** | 848 |
| Telephones, fax and postage | **6,485** | 9,069 | **1,217** | 1,663 |
| Travelling and conveyance | **1,427** | 7,720 | **268** | 1,415 |
| Tender charges | **10,045** | 8,807 | **1,885** | 1,615 |
| Vehicle expenses | **2,103** | 5,611 | **395** | 1,029 |
| Advertisement and business promotion expenses | **238** | 1,529 | **45** | 280 |
| Legal and professional charges | **7,241** | 12,050 | **1,359** | 2,209 |
| Miscellaneous expenses | **7,716** | 4,055 | **1,448** | 743 |
| | **66,044** | 66,477 | **12,395** | 12,188 |

**18. FINANCE COSTS**

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Interest on related parties short term loan | **19,031** | — | **3,572** | — |
| Guarantee commission expenses | **15,678** | — | **2,942** | — |
| Interest on bank borrowings | **81,457** | 1,360 | **15,288** | 249 |
| Bank charges and exchange difference | **10,546** | 2,504 | **1,979** | 459 |
| | **1,26,712** | 3,864 | **23,781** | 708 |

**19. EXCEPTIONAL ITEM**

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Provision reversed for contract assets | **3,53,472** | 3,93,828 | **66,340** | 72,204 |

**20. TAXATION**

(a) The accounting net loss for the year has been adjusted in respect of provisions and other disallowances for the purpose of determining the net tax loss for the year. Taxation has not been calculated at the applicable rate of 15% (Previous year: 15%) in accordance with the Income Tax Law in Oman as Company has incurred a net tax loss during the year. Taxation for the tax years 2017 to 2020 are subject to agreement with the Taxation Authority.

(b) The income tax expense as per the statement of comprehensive income comprises:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| **Current tax** | | | | |
| Charge for the current year | — | 46,367 | — | 8,501 |
| Charge for the earlier years | — | 187 | — | 34 |
| Income tax expense | **—** | 46,554 | **—** | 8,535 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**20. TAXATION (contd.)**

(c) The reconciliation between the income tax credit on the accounting net loss and income tax expense in the statement of comprehensive income is as follows:

| | **RO** | 2019 RO | **₹ in '000s** | 2019 ₹ in '000s |
|---|---|---|---|---|
| Income tax credit on accounting net loss of RO 29,27,257 (₹ 54.94 crores) [Previous year: tax credit on net loss of RO 6,16,156 (₹ 11.30 crores)] at applicable tax rates | **(4,39,089)** | (92,423) | **(82,409)** | (16,945) |
| Add / Less tax effect of: | | | | |
| Depreciation adjustment based on depreciation rates as per Income Tax Law | **836** | 1,469 | **157** | 270 |
| Provisions reversed net of provisions made and write offs considered as deductible expense for income tax purpose | **(1,457)** | (4,206) | **(273)** | (771) |
| Expenses not considered as deductible expense for income tax purpose (net) | **150** | 423 | **28** | 78 |
| Allowance for expected credit losses made not considered as deductible expense for income tax purposes (net) | **3,33,501** | 1,96,522 | **62,591** | 36,030 |
| Net adjustment for leases | **(91)** | 7 | **(17)** | 1 |
| Provisions for exceptional item reversed not considered as taxable income for income tax purposes | **(53,021)** | (59,074) | **(9,951)** | (10,831) |
| Interest expense not considered as deductible expense for income tax purposes | **3,845** | 3,649 | **722** | 669 |
| Income tax credit on carry forward income tax loss of RO 10,35,508 (₹ 19.43 crores) to set off against future taxable net profits | **1,55,326** | — | **29,152** | — |
| Income tax expenses | **—** | 46,367 | **—** | 8,501 |

**21. RELATED PARTIES**

The Company enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. The Management considers such transactions to be in the normal course of business. Related parties comprise companies under common ownership and / or common Management control and members. The balances with related parties at the period end have been separately disclosed in the financial statements.

The nature of significant related party transactions and the amounts involved are as follows:

| | **Member** | **Ultimate parent and parent company** | **Other Related Parties** | **Total** | 2019 Total | **Total** | 2019 Total |
|---|---|---|---|---|---|---|---|
| | **RO** | **RO** | **RO** | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Revenue | — | — | **5,668** | **5,668** | — | **1,064** | — |
| Purchases from | — | — | **20,423** | **20,423** | 89,753 | **3,833** | 16,455 |
| Expenses from | **8,353** | **24,964** | **81,859** | **1,15,176** | 1,51,868 | **21,616** | 27,843 |
| Miscellaneous income | — | — | **19,538** | **19,538** | 12,003 | **3,667** | 2,201 |
| Expenses to | — | — | **81,019** | **81,019** | 22,885 | **15,206** | 4,196 |
| Sub contract costs * | — | — | — | — | 28,706 | — | 5,263 |
| Short term loans taken | — | — | — | — | 5,00,000 | — | 91,670 |
| Interest expense | — | — | **25,068** | **25,068** | 24,329 | **4,705** | 4,460 |

*In previous year, sub contract costs of RO 28,706 (₹ 0.53 crore) has been debited to provision for expenses during defect liability period account.

The Company provides funds to and receives funds from related parties as and when required as working capital facilities.

## 22. FINANCIAL INSTRUMENTS

**Management of risk**

The Management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed. The primary risks to which the business is exposed comprise credit, exchange rate, liquidity and interest rate risks.

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Company's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the Company, issued by reputed financial institutions.

The Company buys goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the Rials Omani is pegged.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

Borrowing facilities are regularly reviewed to ensure that the Company obtains the best available pricing, terms and conditions on its borrowings.

Exposures to the aforementioned risks are detailed below:

- **Credit, interest rate and exchange rate risk exposures**

  **Credit risk**

  Financial assets which potentially expose the Company to credit risks and concentrations of credit risk comprise principally, cash equivalents, long term deposits, contract and other receivables and contract assets. The maximum credit risk exposure of financial assets recognised in the statement of financial position approximate to the carrying amount of the assets net of allowance.

  The Company's bank current and smart card accounts are placed with reputed financial institutions. The Management assesses the credit risk arising from contract and other receivables, long term deposits, contract assets and cash equivalents taking into account their financial position / results, past experience and other factors. As at year end, 75.97% (Previous year: 84.59%) of contract debtors, contract retentions and amount due from customers for contract works are due from two (Previous year: two) contract debtors.

**Credit risk exposures**

(i) Contract receivable and retention aggregating to RO 6,27,224 (₹ 11.93 crores), that is outstanding for more than one year, are due from Unique Contracting Co. L.L.C. against which allowance for ECL of RO 1,15,945 (₹ 2.20 crores) have been made. Though, as per Company's records payments from said debtor have been delayed, in the opinion of the Company's Management, no further allowance for ECL is to be made against the same, as above dues are fully certified and fully recoverable. The Company does not expect any material impact on its profitability and financial position as RO 87,739 (₹ 1.67 crores) had been received from Unique Contracting Co. L.L.C. during the year 2020 and RO 15,000 (₹ 0.29 crore) has been received in the year 2021 till date.

(ii) Amounts due from customers for contract works of RO 38,92,466 (₹ 74.02 crores) [Previous year: RO 55,72,342 (₹ 103.19 crores)], that includes RO 8,95,443 (₹ 17.03 crores) over one year old against which no allowance for ECL have been recognised, as it fully certified, and total contract values considered as per cost to completion exercise includes positive variations of RO 14,21,012 (₹ 27.02 crores) [Previous year: RO 10,98,276 (₹ 20.34 crores)] that incudes RO 13,56,315 (₹ 25.79 crores) over one year, and negative variations of RO 5,22,908 (₹ 9.94 crores) [Previous year: RO 2,05,945 (₹ 3.81 crores)] that includes RO 4,41,158 (₹ 8.39 crores) over one year old, that are pending for approval from main contractor as these variations are due to re-measurement of contract works and are part of the main re-measurable contract which will get certified progressively and upon completion of the contract. Above variations are considered based on, work quantified in engineer's instructions from main contractor and amounts certified by Company's Management for which the Company is confident that the same will be certified in due course by main contractor.

(iii) Contract receivables includes certified receivable of RO 15,000 (₹ 0.29 crore) [Previous year: RO 15,000 (₹ 0.28 crore)] which is over 7 years old.

There are no other significant concentrations of credit risk with any single debtor or group of companies or to debtors from a particular industry or to debtors outside the country in which the Company operates.

- **Interest rate risk**

  Short term loans from a related party is @ 5% (Previous year: 5%) interest per annum. Bank current, overdraft and other borrowings are at floating rates at levels which are generally obtained in Sultanate of Oman and are therefore exposed to cash flow interest rate risk. There are no other significant interest rate risks as other financial assets and financial liabilities are non-interest bearing.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 22. FINANCIAL INSTRUMENTS (contd.)

- **Exchange rate risk**

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Rials Omani or UAE Dirhams / US Dollars to which the Rial Omani is fixed except for the following:

| Contract payable | Currency | | 2019 | | 2019 |
|---|---|---|---|---|---|
| | | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Parent company | Euros | **47,910** | 39,376 | **9,111** | 7,292 |
| Related party | Qatari Riyals | **96,650** | 68,084 | **18,380** | 12,608 |

**(b) Fair Values**

The 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 values of cash equivalents, contract and other receivables, long term deposits, contract assets, bank borrowings, contract and other payables and contract liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**(c) Liquidity Risk**

The Company limits its liquidity risk by ensuring that adequate bank facilities are available to enable it to meet its obligations as and when they fall due for payment. The maturity analysis of the Company's financial liabilities as at the year end is given below:

| | Less than 3 months RO | 3 to 12 months RO | 1 year to 5 years RO | More than 5 years RO | Total RO | Total ₹ in '000s |
|---|---|---|---|---|---|---|
| **As at 31st December, 2020** | | | | | | |
| Staff end-of-service gratuity | — | — | **1,27,457** | — | **1,27,457** | **24,238** |
| Bank borrowings | **37,06,833** | **5,00,000** | — | — | **42,06,833** | **8,00,013** |
| Contract and other payables | **40,43,719** | — | — | — | **40,43,719** | **7,68,994** |
| Contract liabilities | **8,93,150** | — | — | — | **8,93,150** | **1,69,850** |
| Current tax payable | **1,629** | — | — | — | **1,629** | **310** |
| | **86,45,331** | **5,00,000** | **1,27,457** | — | **92,72,788** | **17,63,405** |
| As at 31st December, 2019 | | | | | | |
| Staff end-of-service gratuity | — | — | 1,11,261 | — | 1,11,261 | 20,603 |
| Bank borrowings | 40,21,799 | 5,00,000 | — | — | 45,21,799 | 8,37,347 |
| Contract and other payables | 53,58,068 | — | — | — | 53,58,068 | 9,92,207 |
| Lease liability | 6,932 | — | — | — | 6,932 | 1,284 |
| Contract liabilities | 20,31,656 | — | — | — | 20,31,656 | 3,76,222 |
| Current tax payable | 47,995 | — | — | — | 47,995 | 8,888 |
| | 1,14,66,450 | 5,00,000 | 1,11,261 | — | 1,20,77,711 | 22,36,551 |

### 23. CONTINGENT LIABILITIES

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **RO** | RO | **₹ in '000s** | ₹ in '000s |
| Acceptances | **3,20,427** | 1,78,482 | **60,936** | 33,051 |
| Banker's letter of guarantee | **14,19,844** | 26,58,718 | **2,70,012** | 4,92,341 |
| Banker's letters of credit | **48,561** | 4,10,360 | **9,235** | 75,990 |
| | **17,88,832** | 32,47,560 | **3,40,183** | 6,01,382 |

Bank facilities are secured against securities and several restrictive and financial covenants mentioned in Note number 11 to these financial statements.

### 24. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to ensure that the Company continues as a going concern, maintains an optimal capital structure to reduce the cost of capital, and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed. Capital comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

*Directors* **Akber M. Sultan**
**A. R. Suresh Kumar**
*Muscat, 20th April, 2021* **Rajeev Sharma**

# VOLTAS QATAR W.L.L.

Directors:

**Anil George**

**A. R. Suresh Kumar**

**Manish Desai**

**Dhulipala Srinivas Murthy**

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Directors present the Ninth Annual Report and Accounts for the year ended 31st December, 2020.

2. The Company has reported higher turnover of Qatari Riyals (QR) 308.677 million for the year under review, as compared to QR 43.051 million in the previous year, primarily due to significant progress made in one of the largest project under execution in the State of Qatar. However, due to delay in realisation of moneys due (Receivables) on some of the projects, which was also impacted due to Covid-19 pandemic, provision for Expected Credit Loss (ECL) on Work-in-progress and Debtors were required to be made resulting in to lower net profit of QR 12.710 million as compared to QR 16.763 million in the previous year. The overall order book position as at 31st December, 2020, was QR 327.792 million.
3. With a view to conserve cash resources, the Directors do not recommend any dividend for the year ended 31st December, 2020 (Previous year: Nil).
4. M/s. Deloitte & Touche, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

**A. R. Suresh Kumar**
**Dhulipala Srinivas Murthy**

*Doha, Qatar, 8th May, 2021* *Directors*

## INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF**

**VOLTAS QATAR W.L.L.**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Voltas Qatar W.L.L. ("the Company"), which comprise the statement of financial position as at 31st December, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the applicable provisions of Qatar Commercial Companies' Law, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Company.
- We obtained all the information and explanations which we considered necessary for our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year which would materially affect the Company's activities or its financial position.

**For Deloitte & Touche**
**Qatar Branch**

**Midhat Salha**
*Partner*

*Doha, Qatar, 10th May, 2021*

License No. 257

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2020

| | Notes | QR | As at 31-12-2019 QR | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **CURRENT ASSETS** | | | | | |
| Cash and bank balances | 5 | **4,24,61,327** | 8,05,14,266 | **8,54,322** | 15,68,418 |
| Accounts receivable | 6 | **1,36,97,588** | 4,31,92,889 | **2,75,595** | 8,41,397 |
| Retentions receivable | 7 | **5,42,32,374** | 3,20,46,397 | **10,91,155** | 6,24,264 |
| Contract assets | 8(a) | **19,74,41,571** | 73,29,877 | **39,72,524** | 1,42,786 |
| Prepayments and other assets | | **1,44,719** | 1,33,093 | **2,912** | 2,593 |
| Deferred tax | 19(c) | **16,93,668** | 7,78,000 | **34,077** | 15,155 |
| Advances and other receivables | | **2,34,18,501** | 58,25,377 | **4,71,180** | 1,13,478 |
| **Total current assets** | | **33,30,89,748** | 16,98,19,899 | **67,01,765** | 33,08,091 |
| **NON-CURRENT ASSETS** | | | | | |
| Retentions receivable | 7 | **1,80,46,895** | 2,99,60,769 | **3,63,104** | 5,83,636 |
| Property and equipment | 9 | **9,84,884** | 1,35,397 | **19,816** | 2,638 |
| Intangible assets | 10 | **54,423** | 32,176 | **1,095** | 627 |
| Right of use assets | | **2,35,704** | — | **4,742** | — |
| Contract assets | 8(a) | **60,25,791** | 75,82,634 | **1,21,239** | 1,47,710 |
| **Total non-current assets** | | **2,53,47,697** | 3,77,10,976 | **5,09,996** | 7,34,611 |
| **Total assets** | | **35,84,37,445** | 20,75,30,875 | **72,11,761** | 40,42,702 |
| **LIABILITIES AND EQUITY** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Bank loans | 11 | — | 2,53,27,700 | — | 4,93,384 |
| Trade and other payables | 12 | **17,17,86,274** | 2,47,10,705 | **34,56,340** | 4,81,365 |
| Advances from customers | | **9,28,41,687** | 6,92,84,504 | **18,67,975** | 13,49,662 |
| Contract liabilities | 8(b) | **73,12,381** | 1,23,21,953 | **1,47,125** | 2,40,032 |
| Due to related parties | 13(a) | **1,66,14,259** | 2,25,03,956 | **3,34,279** | 4,38,377 |
| Provision for anticipated losses | | **3,07,648** | 1,00,388 | **6,190** | 1,956 |
| Lease liability | | **1,26,294** | — | **2,541** | — |
| Income tax payable | 19(a) | **22,89,125** | 5,95,039 | **46,057** | 11,591 |
| **Total current liabilities** | | **29,12,77,668** | 15,48,44,245 | **58,60,507** | 30,16,367 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Lease liability | | **1,11,948** | — | **2,252** | — |
| Employees' end-of-service benefits | 14 | **26,73,144** | 10,22,274 | **53,784** | 19,913 |
| **Total non-current liabilities** | | **27,85,092** | 10,22,274 | **56,036** | 19,913 |
| **Total liabilities** | | **29,40,62,760** | 15,58,66,519 | **59,16,543** | 30,36,280 |
| **EQUITY** | | | | | |
| Share capital | 1 | **10,00,000** | 10,00,000 | **20,120** | 19,480 |
| Legal reserve | 15 | **5,00,000** | 5,00,000 | **10,060** | 9,740 |
| Retained earnings | | **6,28,74,685** | 5,01,64,356 | **12,65,038** | 9,77,202 |
| **Total equity** | | **6,43,74,685** | 5,16,64,356 | **12,95,218** | 10,06,422 |
| **Total liabilities and equity** | | **35,84,37,445** | 20,75,30,875 | **72,11,761** | 40,42,702 |

**Note** : The Statement of Financial Position has been converted into Indian Rupees @ 1 Qatari Riyal (QR) = ₹ 20.12, being the exchange rate prevailing as on 31st December, 2020. Previous year figures have been converted @ 1 QR = ₹ 19.48, being the exchange rate prevailing as on 31st December, 2019.

The accompanying notes are an integral part of these financial statements.

*Directors* **A. R. Suresh Kumar**

*Doha, 8th May, 2021* **Dhulipala Srinivas Murthy**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | Notes | | 2019 | | 2019 |
|---|---|---|---|---|---|
| | | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| **REVENUE** | | **30,86,76,919** | 4,30,51,442 | **61,11,803** | 8,32,615 |
| Cost of services and other direct costs | 16 | **(28,50,43,711)** | (3,52,55,538) | **(56,43,865)** | (6,81,842) |
| **GROSS PROFIT** | | **2,36,33,208** | 77,95,904 | **4,67,938** | 1,50,773 |
| Other income | 17 | **42,84,626** | 1,78,26,910 | **84,836** | 3,44,772 |
| General and administrative expenses | 18 | **(1,15,62,493)** | (50,51,885) | **(2,28,937)** | (97,703) |
| Finance costs | | **(23,15,440)** | (19,96,736) | **(45,846)** | (38,617) |
| **PROFIT BEFORE INCOME TAX** | | **1,40,39,901** | 1,85,74,193 | **2,77,991** | 3,59,225 |
| Income tax | 19(b) | **(13,29,572)** | (18,10,916) | **(26,325)** | (35,023) |
| **PROFIT FOR THE YEAR** | | **1,27,10,329** | 1,67,63,277 | **2,51,666** | 3,24,202 |
| Other comprehensive income | | **—** | — | **—** | — |
| **Total comprehensive income for the year** | | **1,27,10,329** | 1,67,63,277 | **2,51,666** | 3,24,202 |

**Note:** The Statement of Profit or Loss has been converted into Indian Rupees @ 1 QR = ₹ 19.80, being the average of the exchange rates prevailing as on 31st December, 2019 (1 QR = ₹ 19.48) and as on 31st December, 2020 (1 QR = ₹ 20.12). Previous year figures have been converted into Indian Rupees @ 1 QR = ₹ 19.34, being the average of the exchange rates prevailing as on 31st December, 2018 (1 QR = ₹ 19.20) and as on 31st December, 2019 (1 QR = ₹ 19.48).

*Directors* **A. R. Suresh Kumar**

*Doha, 8th May, 2021* **Dhulipala Srinivas Murthy**

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | **Share capital** | | **Legal reserve** | | **Retained earnings** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **QR** | **₹ in '000s** | **QR** | **₹ in '000s** | **QR** | **₹ in '000s** | **QR** | **₹ in '000s** |
| Balance at 1st January, 2019 | 10,00,000 | 19,200 | 5,00,000 | 9,600 | 3,34,01,079 | 6,41,301 | 3,49,01,079 | 6,70,101 |
| Total comprehensive income for the year | — | — | — | — | 1,67,63,277 | 3,24,202 | 1,67,63,277 | 3,24,202 |
| Balance at 31st December, 2019 | 10,00,000 | 19,480 | 5,00,000 | 9,740 | 5,01,64,356 | 9,77,202 | 5,16,64,356 | 10,06,422 |
| Total comprehensive income for the year | — | — | — | — | 1,27,10,329 | 2,51,666 | 1,27,10,329 | 2,51,666 |
| **Balance at 31st December, 2020** | **10,00,000** | **20,120** | **5,00,000** | **10,060** | **6,28,74,685** | **12,65,038** | **6,43,74,685** | **12,95,218** |

The accompanying notes are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2020

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| **OPERATING ACITIVITIES** | | | | |
| Profit before income tax | **1,40,39,901** | 1,85,74,193 | **2,77,991** | 3,59,225 |
| Adjustments for: | | | | |
| Depreciation of property and equipment | **2,34,738** | 98,422 | **4,648** | 1,903 |
| Amortisation of intangible assets | **5,123** | — | **101** | — |
| Amortisation of right of use assets | **10,869** | — | **215** | — |
| Profit on sale of property and equipment, net | **(11,093)** | (5,243) | **(220)** | (101) |
| Provisions for employees' end-of-service benefits | **3,57,494** | 2,96,076 | **7,078** | 5,726 |
| Reversal of loss allowance – Contract assets | **34,26,226** | (1,69,47,083) | **67,839** | (3,27,757) |
| Provision for loss allowance – accounts receivable | **40,86,102** | 14,65,487 | **80,905** | 28,343 |
| Provision for loss allowance – retentions receivable | **18,16,301** | 20,85,628 | **35,963** | 40,336 |
| Finance cost | **23,15,440** | 19,96,736 | **45,846** | 38,617 |
| Interest on lease liabilities | **3,082** | — | **61** | — |
| | **2,62,84,183** | 75,64,216 | **5,20,427** | 1,46,292 |
| **Movement in working capital:** | | | | |
| Accounts receivable | **2,54,09,199** | (2,40,61,718) | **4,82,652** | (4,74,489) |
| Contract assets | **(19,19,81,077)** | 7,03,81,058 | **(38,75,069)** | 13,45,887 |
| Retentions receivable | **(1,20,88,404)** | 10,60,667 | **(2,84,238)** | 2,419 |
| Prepayments and other assets | **(11,628)** | (48,975) | **(319)** | (978) |
| Advances and other receivables | **(1,75,93,124)** | 20,88,591 | **(3,57,702)** | 38,470 |
| Trade and other payables | **14,70,75,569** | (2,22,98,971) | **29,74,975** | (4,21,221) |
| Advances from customers | **2,35,57,183** | 2,82,09,331 | **5,18,313** | 5,61,019 |
| Contract liabilities | **(50,09,572)** | 1,23,21,953 | **(92,907)** | 2,40,032 |
| Due to related parties | **(45,77,944)** | (60,74,380) | **(78,545)** | (1,10,327) |
| **Cash (used in) / generated from operations** | **(89,35,615)** | 6,91,41,772 | **(1,79,785)** | 13,46,882 |
| Employees' end-of-service benefits paid | **(18,377)** | (5,95,816) | **(364)** | (11,523) |
| Income tax paid | **(5,51,154)** | (30,73,924) | **(10,913)** | (59,450) |
| Finance cost paid | **(23,15,440)** | (18,66,682) | **(45,846)** | (36,102) |
| Provision / (reversal) of anticipated losses | **2,07,262** | (18,062) | **4,104** | (349) |
| Repayment of interest portion of lease liabilities | **(3,082)** | — | **(61)** | — |
| **Net cash (used in) / generated from operations** | **(1,16,16,406)** | 6,35,87,288 | **(2,33,722)** | 12,38,680 |
| **INVESTING ACTIVITIES** | | | | |
| Additions to plant and equipment | **(10,86,632)** | (62,231) | **(21,515)** | (1,204) |
| Addition to intangible assets | **(27,370)** | — | **(542)** | — |
| Proceeds from disposal of plant and equipment | **13,500** | 8,508 | **267** | 165 |
| **Net cash used in investing activities** | **(11,00,502)** | (53,723) | **(22,142)** | (1,047) |
| **FINANCING ACITIVITIES** | | | | |
| Net movement in bank loans | **(2,53,27,700)** | (1,10,22,300) | **(4,93,384)** | (2,04,536) |
| Repayment of principal portion of lease liabilities | **(8,331)** | — | **(165)** | — |
| **Net cash used in financing activities** | **(2,53,36,031)** | (1,10,22,300) | **(5,09,761)** | (2,14,714) |
| **Net (decrease) / increase in cash and cash equivalents** | **(3,80,52,939)** | 5,25,11,265 | **(7,14,096)** | 10,30,760 |
| Cash and cash equivalents at the beginning of the year | **8,05,14,266** | 2,80,03,001 | **15,68,418** | 5,37,658 |
| **Cash and cash equivalents at the end of the year (Note 5)** | **4,24,61,327** | 8,05,14,266 | **8,54,322** | 15,68,418 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

### 1. GENERAL INFORMATION

Voltas Qatar W.L.L. ("the Company") is registered in the State of Qatar as a limited liability Company under Commercial Registration No. 55065. Effective 2nd November, 2017, the ownership and profit-sharing structure of the Company was changed from Mr. Ahmed Mana Jashan to Architectural Fusion Trading Contracting. The Company's new equity and profit share are presented as follows:

| Name | Profit distribution % | Ownership % | QR | ₹ in '000s |
|---|---|---|---|---|
| Architectural Fusion Trading Contracting | 3% | 51% | 5,10,000 | 10,261 |
| Voltas Netherlands B.V. | 97% | 49% | 4,90,000 | 9,859 |
| | **100%** | **100%** | **10,00,000** | **20,120** |

The Company is engaged in the business of mechanical, electrical and plumbing works, procurement of building construction, importing and exporting all kinds of building materials and equipment for use in mechanical and electrical works, design and development of all kinds of electrical and mechanical projects including the assembly and installation phases.

The address of the Company's registered office is P.O. Box 24706, Doha, Qatar.

In August 2014, the Company and Hamad & Mohamad Al Futtaim ("HMAF") have agreed to form an unincorporated joint arrangement (the "Joint Arrangement") to jointly execute the construction and design and development of the MEP services for the Doha Festival City Retail Mall in Doha, Qatar. Moreover, during 2016, the Joint Arrangement also agreed to execute the construction and design and development of the MEP services for the Vendome Mall in Doha, Qatar. The joint arrangement is regarded as joint operation for the purpose of preparing these financial statements.

These financial statements represent the assets, liabilities and results of operations of the Company including its proportionate share in the Joint Arrangement.

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

#### 2.1 New and amended IFRS Standards that are effective for the current year

*Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7*

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The application of these amendments to IFRS 9 and IFRS 7 has not had any material impact on the amounts reported for the current year since the Company do not have such hedges.

*Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16*

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19 -related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19 -related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) Any reduction in lease payments affects only payments originally due on or before 30th June, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30th June, 2021 and increased lease payments that extend beyond 30th June, 2021); and,

(c) There is no substantive change to other terms and conditions of the lease.

The application of this amendment to IFRS 16 has not had any material impact on the amounts reported for the current year since the Company do not have such concessions.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (contd.)

| **New and revised IFRSs** | **Effective for annual periods beginning on or after** |
|---|---|
| *Amendments to References to the Conceptual Framework in IFRS Standards*<br>The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.<br>The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC32. | 1st January, 2020 |

### 2.2 New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1st January, 2020, have been adopted in these financial statements.

| **New and revised IFRSs** | **Effective for annual periods beginning on or after** |
|---|---|
| *Amendments to IFRS 3 Definition of a business*<br>The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.<br>The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.<br>The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1st January, 2020. | 1st January, 2020 |
| *Amendments to IAS 1 and IAS 8 Definition of material*<br>The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.<br>The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency. | 1st January, 2020 |

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (contd.)

### 2.3 New and amended IFRSs in issue but not yet effective and not early adopted

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective.

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| *IFRS 17 Insurance Contracts*<br><br>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.<br><br>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.<br><br>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.<br><br>In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1st January, 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1st January, 2023.<br><br>IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.<br><br>For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. | 1st January, 2023 |
| *Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<br><br>The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. | Available for optional adoption/ effective date deferred indefinitely |
| *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current*<br><br>The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.<br><br>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. | 1st January, 2023<br>Early application is permitted. |
| *Amendments to IFRS 3 – Reference to the Conceptual Framework*<br><br>The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.<br><br>Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.<br><br>The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1st January, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. | 1st January, 2022 |

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (contd.)**

| | |
|---|---|
| Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use<br>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.<br>The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.<br>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.<br>The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.<br>The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. | 1st January, 2022<br>Early application permitted. |
| *Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract*<br>The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).<br>The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.<br>Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. | 1st January, 2022<br>Early application permitted. |
| *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*<br>The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting.<br>*Change in basis for determining cash flows*<br>The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. The Company do not have material impact of these amendments on its financial statements.<br>*Hedge accounting*<br>The amendments provide exceptions to the hedge accounting requirements in the following areas. – Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. – When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. – When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged. – If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date. | 1st January, 2021 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (contd.)

<table>
<tr><td>Disclosure<br>The amendments will require the Company to disclose additional information about the entity’s exposure to risks arising from interest rate benchmark reform and related risk management activities.<br>Transition<br>The Company plans to apply the amendments from 1st January, 2021. The application will not affect amounts reported for 2020 or prior periods.</td><td></td></tr>
<tr><td>Annual Improvements to IFRS Standards 2018–2020<br>The Annual Improvements include amendments to four Standards.<br>IFRS 1 First-time Adoption of International Financial Reporting Standards<br>The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).<br>IFRS 9 Financial Instruments<br>The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.<br>The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.<br>The amendment is effective for annual periods beginning on or after 1st January, 2022, with early application permitted.<br>IFRS 16 Leases<br>The amendment removes the illustration of the reimbursement of leasehold improvements.<br>IFRS 41 Agriculture<br>The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.<br>The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.</td><td>1st January, 2022<br>Early application permitted.</td></tr>
<tr><td>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)<br>The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.</td><td>1st January, 2023</td></tr>
<tr><td>Definition of Accounting Estimates (Amendments to IAS 8)<br>The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.</td><td>1st January, 2023</td></tr>
</table>

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and the applicable provisions of Qatar Commercial Companies' Law.

### (b) Basis of preparation

These financial statements are prepared under the historical cost convention. These financial statements are presented in Qatari Riyal (QR) which is the Company's functional and presentation currency.

### (c) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. 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 Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

### (d) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Costs include expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is immediately de-recognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial year in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimates accounted for on prospective basis.

Following are the rates of depreciation used based on the estimated useful lives of the related assets:

| | |
|---|---|
| Porta cabins | 15% |
| Machinery | 15% |
| Computers and office equipment | 33.33% |
| Vehicles | 20% |

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

### (e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. A gain or loss arising from de-recognition of an intangible asset, is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised in the statement of profit or loss and other comprehensive income when the asset is de-recognised.

### (f) Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and definite life intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss and after comprehensive income unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined following the weighted average method and includes all costs and expenses incurred in acquiring and bringing the inventories to their existing conditions and location. Net realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

(h) **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) **Financial assets**

All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at amortised cost.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Amortised cost and effective interest rate method*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

*Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses on trade receivables, other receivables and amounts due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and amounts due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost, exchange differences are recognised in the statement of profit or loss.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Company employs statistical models to analyse the data collected and generate estimates of Probability of Default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all cash flows that the Company expects to receive, discounted at the original effective interest rate.

*De-recognition of financial assets*

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

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is classified to profit or loss. In contrast, on de-recognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(j) **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

*De-recognition of financial liabilities*

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

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

*Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

*De-recognition of financial liabilities*

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and the payable is recognised in the statement of profit or loss and other comprehensive income.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimate to settle the present obligation, its carrying amount is the present value of those cash flows.

**Employees' end-of-service benefits**

A provision is made for employees' end-of-service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salary and accumulated period of service as at the reporting date.

**Revenue recognition**

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is adjusted for expected discounts and volume discounts, which are estimated based on the historical data or forecast and projections. The Company recognizes revenue when it transfers control over goods or services to its customers.

The stand-alone selling prices are determined based on the observable price at which the Company sells the products and services on a standalone basis. For items that are not sold separately, the Company estimates standalone selling prices using other methods.

*Contract assets and liabilities*

The Company has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the financial statements. The Company classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

*Interest income*

Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leases**

*The Company as lessee*

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

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

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current income tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax provisions as prescribed by the current applicable Qatar Income Tax Law.

*Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws prescribed by the current applicable Qatar Income Tax Law. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognized in the statement of profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

**Foreign exchange difference**

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise except as otherwise stated in the Standards.

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

The preparation of the financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Critical judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

*Revenue recognition*

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point of time:

(a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

(b) the Company's performance creates or enhances an assets that the customer controls as the asset is created or enhanced; or

(c) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

*Contract variations*

Contract variations are recognised as revenues only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management considers prior experience, application of contract terms and the relationship with the customers in making their judgement.

*Contract claims*

Contract claims are recognised as revenue only when management believes that only to the extent that it is probable that they will not result in a significant reversal in subsequent periods. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

*Judgements in determining the timing of satisfaction of performance obligations*

The Company generally recognise revenue over time as it performs continuous transfer of control of goods or services to the customers. Because customers simultaneously receives and consumes the benefits provided and the control transfer takes place over time, revenue is also recognised based on the extent of transfer / completion of transfer of each performance obligation. In determining the method for measuring progress for these POs, we have considered the nature of these goods and services as well as the nature of its performance.

For performance obligations satisfied at a point in time, the Company considers the general requirements of control (i.e., direct the use of asset and obtain substantially all benefits) and the following non-exhaustive list of indicators of transfer of control:

- Entity has present right to payment
- Customer has legal title
- Entity has transferred legal possession
- Customer has significant risk and rewards
- Customer has accepted the asset

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

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

*Joint arrangement classification*

IFRS 11 requires management to classify joint arrangements entered as either Joint Venture or Joint Operation based on the legal and factual circumstances surrounding the particular arrangement. In doing so, management assessed and analyzed the terms of the joint arrangements and classified each as follows:

| Joint arrangement | Classification | Accounting treatment |
|---|---|---|
| Voltas Qatar W.L.L. and Hamad & Mohamad Al Futtaim | Joint operation | Share of assets, liabilities, revenues and expenses |

*Business model assessment*

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test (please see financial assets sections of Note 2). The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are de-recognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

*Significant increase in credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

*Judgement in identifying whether a contract includes a lease*

The Management has assessed whether or not the Company has contracted for the rights to substantially all of the economic benefits from the use of the assets and whether the contract which contains a lease. As a result the Company has concluded that the contract does contain a lease.

*Determining the lease term*

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*Covid-19 impact*

The outbreak of COVID-19 pandemic is causing significant disruption worldwide resulting in an economic slowdown across the globe.

The Company has considered the possible effects that may result from the pandemic on the recoverability of the carrying amounts of accounts receivable, retentions receivable, contract assets and other receivables (collectively the 'assets') of the Company. For assessing the recoverability of the assets, the Company has considered assumptions based on internal and external information for a period of at least twelve months from the date of approval of these financial statements. The Company has performed analysis on the assumptions used and based on current estimates expects that the carrying amount of these assets will be recovered and no material loss would result on this account.

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

Management has taken into account the possible effects which could be faced by the business and are satisfied that the Company is a going concern for a period of at least twelve months from the date of approval of these financial statements.

Therefore, the going concern basis of accounting in preparing the financial information continues to be adopted.

(b) **Estimates**

The key assumptions concerning the future, and other sources of estimation uncertainty at the financial position 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 discussed below:

*Percentage-of-completion*

The Company uses the input method to recognise revenue on the basis of entity's efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring the costs incurred to date relative to the total expected costs to be incurred (forecast final costs).

At each reporting date, the Company is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Company to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Company uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

*Cost to complete*

The Company's Management estimates the costs to complete for each project for the purpose of revenue recognition and recognition of anticipated losses on projects, if any. In the process of calculating the cost to complete, Management conducts regular and systematic reviews of actual results and future projections with comparison against budget. This process requires monitoring controls including financial and operational controls and identifying major risks facing the Company and developing and implementing initiatives to manage those risks. The Company's Management is confident that the costs to complete the project are fairly estimated.

*Contract variations*

Contract variations are recognized as revenue to the extent that it is probable that they will result in revenue which can be reliably measured, which requires the exercise of judgement by Management based on prior experience, application of contract terms and relationship with the contract owners.

As of the reporting date, Management has recorded revenue from variations amounting to QR 46,48,501 (₹ 9.20 crores) in compliance with the Company's policy with regard to scope changes. Management is currently in negotiation with the contractor and client for approving the remaining variations and is confident that these variations will be approved progressively. All these variations are included in the total contract value for revenue computation.

*Useful lives of plant and equipment and intangible assets*

The costs of plant and equipment and intangible assets are depreciated over the estimated useful life of the project, which is based on expected usage of the assets, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

*Impairment of tangible and intangible assets*

The Company's Management evaluates whether there are indications that tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3. Management confirms that no such indications existed as at the reporting date.

*Calculation of loss allowance*

When measuring ECL, the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Company uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

*Discounting of lease payments*

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgements and estimates to determine the IBR at the commencement of lease.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 5. CASH AND BANK BALANCES

Cash and cash equivalents at the end of financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Cash on hand | **73,543** | 42,275 | **1,480** | 824 |
| Current account | **2,98,87,784** | 7,29,71,991 | **6,01,342** | 14,21,494 |
| Term deposit | **1,25,00,000** | 75,00,000 | **2,51,500** | 1,46,100 |
| | **4,24,61,327** | 8,05,14,266 | **8,54,322** | 15,68,418 |

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, the Management of the Company estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the Management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

### 6. ACCOUNTS RECEIVABLE

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Accounts Receivable | **1,92,49,177** | 4,46,58,376 | **3,87,293** | 8,69,945 |
| Loss allowance | **(55,51,589)** | (14,65,487) | **(1,11,698)** | (28,458) |
| | **1,36,97,588** | 4,31,92,889 | **2,75,595** | 8,41,397 |

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Based on the assessment made by the Management, the allowance for expected credit losses as at the year end is QR 55,51,589 (₹ 11.17 crores) [as at 31st December, 2019: QR 14,65,487 (₹ 2.85 crores)].

The average credit period is 60 days. No interest is charged on the overdue receivables.

The loss allowance as at 31st December, 2020 and 31st December, 2019 was determined for accounts receivable as follows:

| **31st December, 2020** | **Less than 60 days** | **61 - 360 days** | **Over 360 days** | **Total** | **Total** |
|---|---|---|---|---|---|
| | **QR** | **QR** | **QR** | **QR** | **₹ in '000s** |
| Expected credit loss rate | — | — | **34%** | — | — |
| Estimated total gross carrying amount at default | **10,30,295** | **19,62,639** | **1,62,56,243** | **1,92,49,177** | **3,87,293** |
| Lifetime ECL | — | — | **(55,51,589)** | **(55,51,589)** | **(1,11,698)** |
| | | | | **1,36,97,588** | **2,75,595** |

| 31st December, 2019 | Less than 60 days | 61 - 360 days | Over 360 days | Total | Total |
|---|---|---|---|---|---|
| | QR | QR | QR | QR | ₹ in '000s |
| Expected credit loss rate | — | 4% | — | — | — |
| Estimated total gross carrying amount at default | 51,22,962 | 3,95,35,414 | — | 4,46,58,376 | 8,69,945 |
| Lifetime ECL | — | (14,65,487) | — | (14,65,487) | (28,548) |
| | | | | 4,31,92,889 | 8,41,397 |

## 6. ACCOUNTS RECEIVABLE (contd.)

Movement in loss allowance

| | **2020** | 2019 | **2020** | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Balance 1st January | **14,65,487** | — | **28,548** | — |
| Loss allowance during the year | **40,86,102** | 14,65,487 | **80,905** | 28,343 |
| Balance as at 31st December | **55,51,589** | 14,65,487 | **1,11,698** | 28,548 |

## 7. RETENTIONS RECEIVABLE

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Retentions receivable | **7,61,81,198** | 6,40,92,794 | **15,32,766** | 12,48,528 |
| Less - Loss allowance | **(39,01,929)** | (20,85,628) | **(78,507)** | (40,628) |
| | **7,22,79,269** | 6,20,07,166 | **14,54,259** | 12,07,900 |
| *Analysed as:* | | | | |
| Short term | **5,42,32,374** | 3,20,46,397 | **10,91,155** | 6,24,264 |
| Long term | **1,80,46,895** | 2,99,60,769 | **3,63,104** | 5,83,636 |
| | **7,22,79,269** | 6,20,07,166 | **14,54,259** | 12,07,900 |

Retentions receivable represent amounts retained by the customers ranging from 5% to 10% of billings and are collectible upon completion of the contracts.

The Company measures the loss allowance for retentions receivable at an amount equal to lifetime expected credit losses (ECL) using the simplified approach. The expected credit losses on retentions receivable are estimated in reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off a retention receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, and when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In determining the recoverability of a retention receivable, the Company considers any change in the credit quality of the retention receivable from the date the amount was initially withheld from invoices up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

## 8.A. CONTRACT ASSETS

| | | As at 31-12-2019 | | As at 31-12-2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Cost plus attributable profits less losses, if any | **1,01,79,84,987** | 1,02,85,17,454 | **2,04,81,858** | 2,00,35,520 |
| Add: Invoice over cost plus attributable profits less losses, if any | — | 1,23,21,951 | — | 2,40,032 |
| Less: Progress billings | **(80,66,13,209)** | (1,02,14,48,704) | **(1,62,29,058)** | (1,98,97,821) |
| | **21,13,71,778** | 1,93,90,701 | **42,52,800** | 3,77,731 |
| Loss allowance | **(79,04,416)** | (44,78,190) | **(1,59,037)** | (87,235) |
| | **20,34,67,362** | 1,49,12,511 | **40,93,763** | 2,90,496 |
| *Classified as:* | | | | |
| Short term | **19,74,41,571** | 73,29,877 | **39,72,524** | 1,42,786 |
| Long term | **60,25,791** | 75,82,634 | **1,21,239** | 1,47,710 |
| Total | **20,34,67,362** | 1,49,12,511 | **40,93,763** | 2,90,496 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 8.A. CONTRACT ASSETS (contd.)

Set out below is the movement in the allowance for expected credit losses of contract assets:

| | **QR** | As at 31-12-2019 QR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| At 1st January | **44,78,190** | 2,14,25,273 | **87,235** | 4,11,365 |
| Loss allowance for the year | **34,26,226** | — | **67,839** | — |
| Reversal of provision for impairment loss | — | (1,69,47,083) | — | (3,27,756) |
| At 31st December | **79,04,416** | 44,78,190 | **1,59,037** | 87,235 |

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the Company receives payments from customers in line with a series of performance – related milestones. The Company will previously have recognised a contract assets for any work performed. Any amount previously recognised as contract assets is reclassified to trade receivables at the point at which it is invoiced to the customer.

### 8. B. CONTRACT LIABILITIES

| | **QR** | As at 31-12-2019 QR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Value of work performed | **31,23,15,606** | 28,99,51,106 | **62,83,790** | 56,48,248 |
| Less: Progress billings | **(31,96,27,987)** | (30,22,73,059) | **(64,30,915)** | (58,88,280) |
| | **(73,12,381)** | (1,23,21,953) | **(1,47,125)** | (2,40,032) |

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

| | **QR** | As at 31-12-2019 QR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Classified as: | | | | |
| Short term | **73,12,381** | 1,23,21,953 | **1,47,125** | 2,40,032 |
| Long term | — | — | — | — |
| Total | **73,12,381** | 1,23,21,953 | **1,47,125** | 2,40,032 |

### 9. PLANT AND EQUIPMENT

| | **Porta Cabins** | | **Machinery** | | **Computers and office equipment** | | **Vehicles** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **QR** | **₹ in '000s** | **QR** | **₹ in '000s** | **QR** | **₹ in '000s** | **QR** | **₹ in '000s** | **QR** | **₹ in '000s** |
| **Costs** | | | | | | | | | | |
| At 1st January, 2019 | 1,55,500 | 2,986 | 7,54,603 | 14,488 | 4,04,799 | 7,772 | 2,41,271 | 4,632 | 15,56,173 | 29,878 |
| Additions during the year | — | — | — | — | 62,231 | 1,204 | — | — | 62,231 | 1,204 |
| Disposals during the year | (30,000) | (580) | — | — | (33,763) | (653) | (2,310) | (45) | (66,073) | (1,278) |
| At 31st December, 2019 | 1,25,500 | 2,444 | 7,54,603 | 14,701 | 4,33,267 | 8,440 | 2,38,961 | 4,655 | 15,52,331 | 30,240 |
| Additions during the year | 79,000 | 1,564 | 15,735 | 312 | 9,91,897 | 19,640 | — | — | 10,86,632 | 21,516 |
| Disposals during the year | (48,150) | (953) | — | — | — | — | — | — | (48,150) | (953) |
| **At 31st December, 2020** | **1,56,350** | **3,146** | **7,70,338** | **15,499** | **14,25,164** | **28,674** | **2,38,961** | **4,808** | **25,90,813** | **52,127** |

**9. PLANT AND EQUIPMENT (contd.)**

| | Porta Cabins | | Machinery | | Computers and office equipment | | Vehicles | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | QR | ₹ in '000s | QR | ₹ in '000s | QR | ₹ in '000s | QR | ₹ in '000s | QR | ₹ in '000s |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1st January, 2019 | 1,47,724 | 2,836 | 6,81,623 | 13,087 | 3,90,935 | 7,506 | 1,61,038 | 3,092 | 13,81,320 | 26,521 |
| Charge for the year | — | — | 20,375 | 394 | 29,832 | 577 | 48,215 | 932 | 98,422 | 1,903 |
| Disposals during the year | (28,500) | (551) | — | — | (32,459) | (628) | (1,849) | (36) | (62,808) | (1,215) |
| At 31st December, 2019 | 1,19,224 | 2,322 | 7,01,998 | 13,676 | 3,88,308 | 7,564 | 2,07,404 | 4,040 | 14,16,934 | 27,602 |
| Charge for the year | 11,876 | 235 | 11,891 | 236 | 1,79,414 | 3,552 | 31,557 | 625 | 2,34,738 | 4,648 |
| Disposals during the year | (45,743) | (906) | — | — | — | — | — | — | (45,743) | (906) |
| **At 31st December, 2020** | **85,357** | **1,717** | **7,13,889** | **14,363** | **5,67,722** | **11,423** | **2,38,961** | **4,808** | **16,05,929** | **32,311** |
| **Carrying value** | | | | | | | | | | |
| **At 31st December, 2020** | **70,993** | **1,429** | **56,449** | **1,136** | **8,57,442** | **17,251** | **—** | **—** | **9,84,884** | **19,816** |
| At 31st December, 2019 | 6,276 | 122 | 52,605 | 1,025 | 44,959 | 876 | 31,557 | 615 | 1,35,397 | 2,638 |

**10. INTANGIBLE ASSETS**

| **Software** | **QR** | As at 31-12-2019 QR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1st January | **6,43,518** | 6,43,518 | **12,536** | 12,356 |
| Additions during the year | **27,370** | — | **542** | — |
| **At 31st December** | **6,70,888** | 6,43,518 | **13,498** | 12,536 |
| **Accumulated amortisation** | | | | |
| At 1st January | **6,11,342** | 6,11,342 | **11,909** | 11,738 |
| Charge for the year | **5,123** | — | 101 | — |
| **At 31st December** | **6,16,465** | 6,11,342 | **12,403** | 11,909 |
| **Carrying value** | | | | |
| **At 31st December** | **54,423** | 32,176 | **1,095** | 627 |

Amortisation of intangible assets is calculated using the straight-line method over the term of the project.

**11. BANK LOANS**

This represents short-term facilities from local bank at a profit rate of Libor + 1.6 % (2019: Libor + 1.6 %) per annum, rolled over every year. No collateral or liens are existing against these facilities. The bank loan was fully settled in 2020.

**12. TRADE AND OTHER PAYABLES**

| | **QR** | As at 31-12-2019 QR | **₹ in '000s** | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Trade payables | **9,83,45,283** | 1,14,48,158 | **19,78,707** | 2,23,011 |
| Accruals and other liabilities | **6,31,06,576** | 23,32,811 | **12,69,704** | 45,443 |
| Retentions payable | **92,71,160** | 1,04,26,544 | **1,86,536** | 2,03,109 |
| Leave salary | **10,63,255** | 5,03,192 | **21,393** | 9,802 |
| | **17,17,86,274** | 2,47,10,705 | **34,56,340** | 4,81,365 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 13. RELATED PARTY DISCLOSURES

Related parties represent associated companies, partners, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by Management.

At the reporting date, amounts due to related parties were as follows:

(a) Due to related parties

| | QR | As at 31-12-2019 QR | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Hamad and Mohamad Al Futtaim | **5,17,594** | 3,03,344 | **10,414** | 5,910 |
| Voltas Limited – Qatar Branch | **1,35,66,029** | 2,15,24,414 | **2,72,949** | 4,19,296 |
| Lalbuksh Voltas | **4,60,358** | 85,856 | **9,262** | 1,672 |
| Weathermaker Limited | **8,72,572** | 6,683 | **17,556** | 130 |
| Voltas Netherlands B.V. | **9,57,228** | 5,41,488 | **19,259** | 10,548 |
| Voltas Limited – UAE Branch | **25,885** | — | **521** | — |
| Voltas Limited – Head office | **2,14,593** | 42,171 | **4,318** | 821 |
| | **1,66,14,259** | 2,25,03,956 | **3,34,279** | 4,38,377 |

(b) Related party transactions

| | QR | 2019 QR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Manpower costs | **3,78,76,800** | 2,54,04,828 | **7,49,961** | 4,91,329 |
| Subcontract | **16,81,072** | 48,45,933 | **33,285** | 93,720 |
| General expenses | **10,88,772** | 64,70,130 | **21,558** | 1,25,132 |

### 14. EMPLOYEES' END-OF-SERVICE BENEFITS

| | QR | As at 31-12-2019 QR | ₹ in '000s | As at 31-12-2019 ₹ in '000s |
|---|---|---|---|---|
| Balance at 1st January | **10,22,274** | 13,22,014 | **19,913** | 25,383 |
| Provided during the year | **3,57,494** | 2,96,076 | **7,078** | 5,726 |
| Transferred from a related party | **13,11,753** | — | **25,973** | — |
| End-of-service benefits paid | **(18,377)** | (5,95,816) | **(364)** | (11,523) |
| Balance at 31st December | **26,73,144** | 10,22,274 | **53,784** | 19,913 |

### 15. LEGAL RESERVES

As required by the Qatari Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution, except for circumstances specified in the abovementioned law.

### 16. COST OF SERVICES AND OTHER DIRECT COSTS

| | QR | 2019 QR | ₹ in '000s | 2019 ₹ in '000s |
|---|---|---|---|---|
| Cost of materials | **22,92,17,743** | 75,49,929 | **45,38,511** | 1,46,015 |
| Manpower costs | **4,99,51,323** | 2,25,52,689 | **9,89,036** | 4,36,169 |
| Subcontract costs | **1,12,100** | 33,45,740 | **2,220** | 64,707 |
| Provision / (reversal) for anticipated losses | **2,07,262** | (18,062) | **4,104** | (349) |
| Site office maintenance | **10,70,532** | 3,12,096 | **21,197** | 6,036 |
| Depreciation of plant and equipment (Note 9) | **2,34,738** | 98,422 | **4,648** | 1,903 |
| Printing and stationery | **4,54,657** | 2,47,053 | **9,002** | 4,778 |
| Amortisation of intangible assets (Note 10) | **5,123** | — | **101** | — |
| Amortisation of right-of-use assets | **10,869** | — | **215** | — |
| Transportation | **19,56,940** | 3,15,448 | **38,747** | 6,101 |
| Communication | **9,96,914** | 5,66,345 | **19,739** | 10,953 |
| Other direct costs | **8,25,510** | 2,85,878 | **16,345** | 5,529 |
| | **28,50,43,711** | 3,52,55,538 | **56,43,865** | 6,81,842 |

## 17. OTHER INCOME

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Reversal of provision for impairment loss on contract assets (Note 8) | — | 1,69,47,083 | — | 3,27,756 |
| Profit on sale of property and equipment | **11,093** | 5,243 | **220** | 101 |
| Scrap sales | **4,10,733** | 3,25,424 | **8,133** | 6,294 |
| Miscellaneous income | **38,62,800** | 5,49,160 | **76,483** | 10,621 |
| | **42,84,626** | 1,78,26,910 | **84,836** | 3,44,772 |

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Services charges | **8,67,313** | 1,15,692 | **17,172** | 2,237 |
| Professional fees | **1,94,905** | 2,18,257 | **3,859** | 4,220 |
| Exchange loss | **2,79,263** | 56,273 | **5,529** | 1,088 |
| Provision for loss allowance – accounts receivable | **40,86,102** | 14,65,487 | **80,905** | 28,343 |
| Provision for loss allowance – retentions receivable | **18,16,301** | 20,85,628 | **35,963** | 40,336 |
| Provision for loss allowance – contract assets | **34,26,226** | — | **67,839** | — |
| Registration and licenses | **56,442** | 44,674 | **1,118** | 864 |
| Vehicle maintenance | **35,944** | 23,361 | **712** | 452 |
| Miscellaneous expenses | **5,75,675** | 7,71,647 | **11,398** | 14,924 |
| Air passage and conveyance | **2,24,322** | 2,70,866 | **4,442** | 5,239 |
| | **1,15,62,493** | 50,51,885 | **2,28,937** | 97,703 |

## 19. INCOME TAX

| | | | 2019 | | 2019 |
|---|---|---|---|---|---|
| | | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| (a) | Profit for the year before income tax | **1,40,39,901** | 1,85,74,193 | **2,77,991** | 3,59,225 |
| | Adjustments for: | | | | |
| | Depreciation charged in excess of income tax rates | — | 15,686 | — | 303 |
| | Provision / (reversal) of loss allowance | **93,28,629** | (1,31,17,954) | **1,84,707** | (2,53,701) |
| | Gain on disposal of property and equipment | **(11,093)** | (5,243) | **(220)** | (101) |
| | Non-deductible expense and adjustments | **60,726** | 6,20,674 | **1,202** | 12,004 |
| | Taxable income | **2,34,18,158** | 60,87,356 | **4,63,680** | 1,17,730 |
| | Income tax expense at 10% | **23,41,816** | 6,08,736 | **46,368** | 11,773 |
| | Share in taxes of foreign partner at 97.75% to be paid to Income Tax Department (Note 1) | **22,89,125** | 5,95,039 | **46,057** | 11,591 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

### 19. INCOME TAX (contd.)

(b) Income tax payable at the end of financial year as shown in the statement of financial position can be reconciled to the income tax expense in the statement of profit or loss and other comprehensive income as follows:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Current income tax: | | | | |
| Current year tax expense | **22,89,125** | 5,95,039 | **45,325** | 11,508 |
| Prior year income tax adjustment | **(43,885)** | (84,374) | **(870)** | (1,632) |
| Deferred income tax: | | | | |
| Deferred tax adjustment | **(9,15,668)** | 13,00,251 | **(18,130)** | 25,147 |
| Income tax expense reported in the statement of comprehensive income | **13,29,572** | 18,10,916 | **26,325** | 35,023 |

(c) Deferred income tax

The tax effects of temporary differences that resulted in significant portions of the deferred tax assets as of 31st December, 2020 are as follows:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Deferred tax assets: | | | | |
| Allowances for impairment | **1,73,26,527** | 79,59,079 | **3,48,610** | 1,55,043 |
| Effective tax rates | **10%** | 10% | **10%** | 10% |
| Tax effect | **17,32,653** | 7,95,908 | **34,681** | 15,504 |
| Share in tax of foreign partner at 97.75% | **16,93,668** | 7,78,000 | **34,077** | 15,155 |

Movements in the deferred tax asset are as follows:

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| At 1st January | **7,78,000** | 20,78,251 | **15,155** | 39,902 |
| Deferred tax adjustment | **9,15,668** | (13,00,251) | **18,130** | (25,147) |
| At 31st December | **16,93,668** | 7,78,000 | **34,077** | 15,155 |

### 20. CONTINGENCIES

| | | 2019 | | 2019 |
|---|---|---|---|---|
| | **QR** | QR | **₹ in '000s** | ₹ in '000s |
| Performance bonds | **11,59,20,000** | 11,75,99,693 | **23,32,310** | 22,90,842 |
| Advance payment guarantees | **—** | 6,11,85,000 | **—** | 11,91,884 |
| Letters of credit | **13,25,04,140** | 5,86,218 | **26,65,983** | 11,420 |

## 21. INTEREST IN JOINT ARRANGEMENT

The Company entered into a 50:50 unincorporated Joint Arrangement with Hamad & Mohamad Al Futtaim for the execution of the construction and design and development of the MEP services for the Doha Festival City Retail Mall and Vendome Mall in Doha, Qatar. During the period, the assets and liabilities and results of operations of the Joint Arrangement and the Company's share included in the accompanying financial statements are as follows:

| | As recorded in the Joint Arrangement account | Share of the Company (50%) | |
|---|---|---|---|
| | QR | QR | ₹ in '000s |
| **Current assets** | | | |
| Cash and bank balances | 2,20,77,056 | 1,10,38,528 | 2,22,096 |
| Accounts receivable | 1,66,60,632 | 83,30,316 | 1,67,606 |
| Retentions receivable | 3,19,77,341 | 1,59,88,671 | 3,21,692 |
| Prepayments and other assets | 8,482 | 4,241 | 85 |
| Advances paid | 49,82,437 | 24,91,218 | 50,123 |
| **Total current assets** | **7,57,05,948** | **3,78,52,974** | **7,61,602** |
| **Non-current assets** | | | |
| Retentions receivable | 3,19,77,341 | 1,59,88,671 | 3,21,692 |
| Plant and equipment | 73,418 | 36,709 | 739 |
| Intangible assets | 64,352 | 32,176 | 647 |
| **Total non-current assets** | **3,21,15,111** | **1,60,57,556** | **3,23,078** |
| **Total assets** | **10,78,21,059** | **5,39,10,530** | **10,84,680** |
| **Current liabilities** | | | |
| Trade and other payables | 2,99,32,571 | 1,49,66,286 | 3,01,122 |
| Contract liabilities | 1,46,24,762 | 73,12,381 | 1,47,125 |
| Due to related parties | 22,59,158 | 11,29,579 | 22,727 |
| Advance from a customer | 3,39,102 | 1,69,551 | 3,411 |
| **Total liabilities** | **4,71,55,593** | **2,35,77,797** | **4,74,385** |
| Retained earnings | 6,06,65,466 | 3,03,32,733 | 6,10,295 |
| **Total liabilities and retained earnings** | **10,78,21,059** | **5,39,10,530** | **10,84,680** |
| **Statement of profit or loss** | | | |
| Contract revenue | 4,47,28,999 | 2,23,64,500 | 4,42,817 |
| Contract cost | (3,45,28,072) | (1,72,64,036) | (3,41,828) |

## 22. FINANCIAL INSTRUMENTS

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. Financial assets comprise cash and cash equivalents, retentions, accounts and other receivables. Financial liabilities comprise retentions, loans and borrowings, trade and other payables and due to related parties.

**Fair value of financial instruments**

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, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of financial instruments is not materially different from their carrying values.

## 23. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to routine financial risk including the effects of defaults by customers, movement in interest rates and liquidity. The Company's Management seeks to minimise potential adverse effects on the financial performance of the Company by taking appropriate steps to address specific risk management such as credit risk, interest rate risk, liquidity risk and capital risk management.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (contd.)

**23. FINANCIAL RISK MANAGEMENT (contd.)**

**Financial risk factors**

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Company to credit risk, consist principally of bank balances accounts and retentions receivable. The Company manages this risk by placing its bank balances with high credit rated institutions. Credit risks with respect to trade receivables is limited due to dispersion across large number of customers. The Company considers the credit quality of amounts that are neither past due nor impaired to be good.

In order to minimize credit risk, the Company has tasked its Management to develop and maintain the Company's credit risk grading to categories exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Management uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising expected credit losses |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts | 12-months ECL |
| Doubtful | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit-impaired |
| In default | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery | Amount is written off |

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will affect the Company's income or value of its holdings of financial instruments. The Company's exposure to interest rate risk relates to its bank loan and bank balances. A 5% increase / decrease in interest rates would have increased / decreased equity by QR 62,500 (₹ 0.13 crore) [2019: QR 99,837 (₹ 0.19 crore)].

**Liquidity risk**

Liquidity risk represents the risk that the Company will not be able to settle its financial obligations as they fall due. Management confirms that cash and liquidity sources are sufficiently available to cover future obligations of the Company.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**23. FINANCIAL RISK MANAGEMENT (contd.)**

**At 31st December, 2020**

| | **Weighted average effective interest rate** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Total** | **Total** |
|---|---|---|---|---|---|---|
| | **%** | **QR** | **QR** | **QR** | **QR** | **₹ in '000s** |
| Trade and other payables | — | **17,17,86,274** | — | — | **17,17,86,274** | **34,56,340** |
| Due to Related parties | — | **1,66,14,259** | — | — | **1,66,14,259** | **3,34,279** |
| | | **18,84,00,533** | — | — | **18,84,00,533** | **37,90,619** |

At 31st December, 2019

| | Weighted average effective interest rate | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total | Total |
|---|---|---|---|---|---|---|
| | % | QR | QR | QR | QR | ₹ in '000s |
| Bank loan | Libor + 1.6% | 2,53,27,700 | — | — | 2,53,27,700 | 4,93,384 |
| Trade and other payables | — | 2,47,10,705 | — | — | 2,47,10,705 | 4,81,365 |
| Due to Related parties | — | 2,25,03,956 | — | — | 2,25,03,956 | 4,38,377 |
| | | 7,25,42,361 | — | — | 7,25,42,361 | 14,13,126 |

**Foreign currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not hedge its currency exposure. However, Management is of the opinion that the Company's exposure to currency risk is minimal as most of the transactions are carried out in Qatari Riyal.

**Capital risk**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital and retained earnings.

**24. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by Management of the Company and authorized for issue on 8th May, 2021.

*Directors* **A. R. Suresh Kumar**

*Doha, 8th May, 2021* **Dhulipala Srinivas Murthy**

# VOLTAS NETHERLANDS B.V.

Directors :

**Anil George**
**Johann van der Linden** (Representative of TMF Management B.V.)

## DIRECTORS' REPORT

**TO THE MEMBERS**

The Directors present their Twenty Second Annual Report and the Accounts for the year ended 31st March, 2021.

2. The Company has reported profit of Euro 0.910 million for the year ended 31st March, 2021, as compared to Euro 1.329 million in the previous year due to lower dividend income earned from participations.

3. The Directors had declared an interim dividend of Euro 2.160 million in December 2020 out of Retained Earnings and do not recommend any final dividend for the year ended 31st March, 2021. Thus, the interim dividend of Euro 2.160 million is the final dividend for the year ended 31st March, 2021 (Previous Year: Euro 1.300 million).

4. M/s PKF Wallast, Accountants & Business Advisors, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

**Anil George**
**Johann van der Linden**

*Amsterdam, 4th May, 2021*

## INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDER AND MANAGEMENT BOARD OF VOLTAS NETHERLANDS B.V.**

**A. Report on the audit of the special purpose financial information**

**Our Opinion**

We have audited the special purpose financial information (financial statements for consolidation purposes) for the year ended 31st March, 2021 of Voltas Netherlands B.V., based in Delft, the Netherlands, which have been prepared for incorporation in the consolidated financial statements of Voltas Limited.

In our opinion, the accompanying special purpose financial information for the year ended 31st March, 2021 is prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the entity, as set out in the notes to the special purpose financial information.

The special purpose financial information comprise:

1. Balance Sheet for the year ended 31st March, 2021.
2. Profit and Loss Account for the year then ended; and
3. Notes comprising a summary of the accounting policies and other explanatory information.

**Basis for our opinion**

We conducted our audit in accordance with Dutch Law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the special purpose financial information' section of our report.

We are independent of Voltas Netherlands B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags-en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

**Emphasis on the basis of accounting and restriction on distribution and use**

We draw attention to the notes to the special purpose financial information, which describe the basis of accounting. The special purpose financial information is intended for Voltas Limited and is prepared for purposes of providing information to Voltas Limited to enable it to prepare the consolidated financial statements of the group.

As a result, the special purpose financial information is not a complete set of financial statements of Voltas Netherlands B.V. in accordance with Dutch Generally Accepted Accounting Principles and is not intended to give a true and fair view of the financial position of Voltas Netherlands B.V. as per 31st March, 2021, and of its result and its cash flows for the year then ended in accordance with Dutch Generally Accepted Accounting Principles.

The special purpose financial information may, therefore, not be suitable for another purpose. Therefore, our auditor's report is intended solely for Voltas Netherlands B.V. and Voltas Limited and should not be distributed to or used by other parties than Voltas Netherlands B.V. and Voltas Limited.

Our opinion is not modified in respect of this matter.

**Paragraph to emphasizing the developments concerning COVID-19 crisis in the special purpose financial information**

Voltas Netherlands B.V. has described the significance of COVID-19 pandemic crisis in section Impact Covid-19 pandemic of the notes to the financial statements for consolidation purposes. Our opinion has not been modified as a result of this matter.

**B. Description of responsibilities regarding the special purpose financial information**

**Responsibilities of management for the special purpose financial information**

Management is responsible for the preparation and fair presentation of the special purpose financial information in accordance with the accounting policies selected and disclosed by the entity, as set out in the notes to the special purpose financial information. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of special purpose financial information that is free from material misstatement, whether due to fraud or error.

Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the special purpose financial information.

**Our responsibilities for the audit of the special purpose financial information**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this special purpose financial information. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the special purpose financial information, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Concluding on the appropriateness of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the special purpose financial information, including the disclosures; and
- Evaluating whether the special purpose financial information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

| | |
|---|---|
| *Schiphol –Rijk, The Netherlands.* | **PKF Wallast** |
| *30th April, 2021* | Drs. E. Bakker RA |

## BALANCE SHEET AS AT 31ST MARCH, 2021

| | Euro | As at 31-3-2020 Euro | ₹ in '000s | As at 31-3-2020 ₹ in '000s |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share Capital | **6,18,729** | 6,18,729 | **53,235** | 51,478 |
| Reserves and Surplus | **56,54,187** | 69,03,740 | **4,86,486** | 5,74,391 |
| **Total Shareholders' Funds** | **62,72,916** | 75,22,469 | **5,39,721** | 6,25,869 |
| **APPLICATION OF FUNDS** | | | | |
| Participations (at cost) | | | | |
| Saudi Ensas Company for Engineering Services W.L.L. | **3,38,684** | 3,38,684 | **29,140** | 28,179 |
| Lalbuksh Voltas Engineering Services & Trading L.L.C. | **11,59,588** | 11,59,588 | **99,771** | 96,478 |
| Voltas Oman L.L.C. | **6,36,945** | 6,36,945 | **54,803** | 52,994 |
| Voltas Qatar W.L.L. | **1,01,056** | 1,01,056 | **8,695** | 8,408 |
| Universal Voltas L.L.C. | **37,63,260** | 37,63,260 | **3,23,791** | 3,13,103 |
| | **59,99,533** | 59,99,533 | **5,16,200** | 4,99,162 |
| Less: impairment previous years Saudi Ensas Company for Engineering Services W.L.L. due to negative asset value | **(3,38,684)** | (3,38,684) | **(29,140)** | (28,179) |
| | **56,60,849** | 56,60,849 | **4,87,060** | 4,70,983 |
| **CURRENT ASSETS, LOANS AND ADVANCES (NOMINAL VALUE)** | | | | |
| Receivables from participations | **—** | — | **—** | — |
| Trade receivables | **16,473** | 2,49,916 | **1,417** | 20,792 |
| Other receivables | **1,11,301** | 7,700 | **9,576** | 641 |
| Bank balances | **6,11,031** | 16,32,857 | **52,573** | 1,35,854 |
| **Less: Current Liabilities** | **(1,26,738)** | (28,853) | **(10,905)** | (2,401) |
| **Net Current Assets** | **6,12,067** | 18,61,620 | **52,661** | 1,54,886 |
| | **62,72,916** | 75,22,469 | **5,39,721** | 6,25,869 |

**Note:** The Balance Sheet has been converted into Indian Rupees @ 1 Euro = ₹ 86.04 being the exchange rate prevailing as on 31st March, 2021. Previous year figures have been converted @ 1 Euro = ₹ 83.20 being the exchange rate prevailing as on 31st March, 2020.

*Directors* **Anil George**

*Amsterdam, 4th May, 2021* **Johann van der Linden**

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2021

| | Euro | 2019-20 Euro | ₹ in '000s | 2019-20 ₹ in '000s |
|---|---|---|---|---|
| **OTHER INCOME** | | | | |
| Dividend from participations | **12,01,536** | 14,59,394 | **1,01,674** | 1,17,408 |
| Fees Corporate Guarantee | **3,67,142** | 1,25,593 | **31,068** | 10,104 |
| | **15,68,678** | 15,84,987 | **1,32,742** | 1,27,512 |
| **EXPENSES** | | | | |
| Operating and Administrative Expenses | **(5,41,552)** | (2,70,753) | **(45,826)** | (21,782) |
| Financial results | **(1,16,679)** | 14,986 | **(9,873)** | 1,206 |
| | **(6,58,231)** | (2,55,767) | **(55,699)** | (20,576) |
| **Profit** | **9,10,447** | 13,29,220 | **77,043** | 1,06,936 |

**Note:** The Profit and Loss Account has been converted into Indian Rupees @ 1 Euro = ₹ 84.62 being the average of the exchange rates prevailing as on 31st March, 2020 (1 Euro = ₹ 83.20) and as on 31st March, 2021 (1 Euro = ₹ 86.04). Previous year figures have been converted into Indian Rupees @ 1 Euro = ₹ 80.45 being the average of the exchange rates prevailing as on 31st March, 2019 (1 Euro = ₹ 77.69) and as on 31st March, 2020 (1 Euro = ₹ 83.20).

*Directors* **Anil George**

*Amsterdam, 4th May, 2021* **Johann van der Linden**

## NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

**Objectives**

The Corporation's object categories of business are:

Investment in overseas ventures, undertaking turnkey projects and trading activities.

**Impact Covid-19 pandemic**

Due to the ongoing Covid-19 pandemic, execution activities at project sites have slowed down. This has impacted the performance and thereby the results of the participations during the year 2020-2021. It is anticipated that the performance of the participations would improve in the period to follow.

The Board is keeping a close watch on the developments and will take corrective actions as may be required.

At this moment, the Board does not anticipate valuation adjustments (impairment) on the valuation of the participations.

**General**

Assets and liabilities are valued at nominal values if not stated otherwise. Profits are taken into account at the moment they have been realized and the losses are taken as soon as they appear.

Amounts in foreign currencies are taken at the moment that they have been converted at the official rate of exchange as per balance sheet date. Exchange differences are dealt with through the profit and loss account.

**Accounting period**

The financial statements for consolidation purposes cover the period 1st April, 2020 up to and including 31st March, 2021.

**Participations**

The participations consists of acquired interests in the capital of the following companies:

| | % | Euro | ₹ in '000s |
|---|---|---|---|
| Saudi Ensas Company for Engineering Services W.L.L. | **8** | **3,38,684** | **29,140** |
| Lalbuksh Voltas Engineering Services & Trading L.L.C. | **40** | **11,59,588** | **99,771** |
| Voltas Oman L.L.C. | **65** | **6,36,945** | **54,803** |
| Voltas Qatar W.L.L. | **49** | **1,01,056** | **8,695** |
| Universal Voltas L.L.C. | **49** | **37,63,260** | **3,23,791** |
| | | **59,99,533** | **5,16,200** |
| Less: Impairment previous years Saudi Ensas Company for Engineering Services W.L.L. due to negative net asset value | | **(3,38,684)** | **(29,140)** |
| | | **56,60,849** | **4,87,060** |

The participations are valued at cost and if applicable less impairments in value.

**Share Capital**

The registered share capital amounts to Euro 10,21,005 (₹ 8.78 crores).

The entire paid up share capital of the Company, consist of 13,635 shares of Euro 45.38 each, is held by Voltas Limited, Mumbai, India.

The capital has been transferred into Euro's in accordance with Article 178c, Book 2 of the Netherlands Civil Code.

**Share Capital**

| | Euro | ₹ in '000s |
|---|---|---|
| Balance as per 31st March, 2020 | **6,18,729** | **51,478** |
| Movement | **—** | **—** |
| Balance as per 31st March, 2021 | **6,18,729** | **53,235** |

## NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

### Reserves and Surplus

| | Euro | ₹ in '000s |
|---|---|---|
| Balance as per 31st March, 2020 | **69,03,740** | **5,74,391** |
| Profit for the year ended 31st March, 2021 | **9,10,447** | **77,043** |
| Dividend | **(21,60,000)** | **(1,82,779)** |
| Balance as per 31st March, 2021 | **56,54,187** | **4,86,486** |

### Receivables from Participations

| | Euro | ₹ in '000s |
|---|---|---|
| Dividend to be received from Saudi Ensas Company for Engineering Services W.L.L. | **43,068** | **3,706** |
| Less: Provision on dividend receivable from Saudi Ensas Company for Engineering Services W.L.L. | **(43,068)** | **(3,706)** |
| Balance as per 31st March, 2021 | **—** | **—** |

### Trade Receivables

| | Euro | ₹ in '000s |
|---|---|---|
| Invoices for corporate guarantee fees (Voltas Oman L.L.C.) | **16,473** | **1,417** |
| Balance as per 31st March, 2021 | **16,473** | **1,417** |

### Other Receivables

| | Euro | ₹ in '000s |
|---|---|---|
| Prepayments (TMF Management B.V.) | **9,075** | **781** |
| Invoices to be sent for Corporate Guarantee fees (Voltas Qatar W.L.L., Voltas Oman L.L.C., Lalbuksh Voltas Engineering Services & Trading L.L.C. and Universal Voltas L.L.C.) | **1,02,226** | **8,795** |
| Balance as per 31st March, 2021 | **1,11,301** | **9,576** |

### Bank Balances

| | Euro | ₹ in '000s |
|---|---|---|
| ABN Amro Bank EURO | **4,91,026** | **42,248** |
| ABN Amro Bank USD | **8,849** | **761** |
| ABN Amro Bank Top Deposit EURO | **1,11,156** | **9,564** |
| Balance as per 31st March, 2021 | **6,11,031** | **52,573** |

### Current Liabilities

| | Euro | ₹ in '000s |
|---|---|---|
| Invoices to be received (Voltas Limited, Corporate Guarantee) | **99,510** | **8,562** |
| Audit, advisory and accounting costs | **27,228** | **2,343** |
| Balance as per 31st March, 2021 | **1,26,738** | **10,905** |

## NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

**Liabilities not shown in Balance Sheet**

Contingent Assets and Liabilities

Voltas Netherlands B.V. had issued Corporate Guarantees to:

(i) HSBC Bank Middle East Limited, Doha, Qatar on behalf of Voltas Qatar W.L.L. for QR 160 million (Euro 37.564 million) (₹ 323.20 crores).

The utilized amount as per Balance Sheet date amounts to QR 29.321 million (Euro 6.884 million) (₹ 59.23 crores).

(ii) HSBC Bank Middle East Limited, Doha, Qatar on behalf of Voltas Qatar W.L.L. for QR 25.500 million (Euro 5.987 million) (₹ 51.51 crores).

The utilized amount as per Balance Sheet date amounts to QR 2.784 million (Euro 0.654 million) (₹ 5.62 crores).

(iii) HSBC Bank Middle East Limited, Doha, Qatar on behalf of Voltas Qatar W.L.L. for QR 26 million (Euro 6.104 million) (₹ 52.52 crores).

The utilized amount as per Balance Sheet date amounts to QR Nil (Euro Nil) (₹ Nil).

(iv) HSBC Bank Middle East Limited, Doha, Qatar on behalf of Voltas Qatar W.L.L. for QR 202 million (Euro 47.424 million) (₹ 408.04 crores).

The utilized amount as per Balance Sheet date amounts to QR 190.926 million (Euro 44.825 million) (₹ 385.67 crores).

(v) Bank Sohar S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 0.975 million (Euro 2.164 million) (₹ 18.62 crores).

The utilized amount as per Balance Sheet date amounts to RO 0.083 million (Euro 0.184 million) (₹ 1.58 crores).

(vi) HSBC Bank Oman S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 6 million (Euro 13.317 million) (₹ 114.58 crores).

The utilized amount as per Balance Sheet date amounts to RO 1.585 million (Euro 3.517 million) (₹ 30.26 crores).

(vii) National Bank of Oman S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 4.350 million (Euro 9.655 million) (₹ 83.07 crores).

The utilized amount as per Balance Sheet date amounts to RO 4.024 million (Euro 8.931 million) (₹ 76.85 crores).

(viii) HSBC Bank Oman S.A.O.G., Muscat, Oman on behalf of Lalbuksh Voltas Engineering Services & Trading L.L.C. for RO 2 million (Euro 4.439 million) (₹ 38.19 crores).

The utilized amount as per Balance Sheet date amounts to RO 0.513 million (Euro 1.138 million) (₹ 9.79 crores).

(ix) Bank Muscat S.A.O.G., Muscat, Oman on behalf of Lalbuksh Voltas Engineering Services & Trading L.L.C. for RO 1.004 million (Euro 2.228 million) (₹ 19.17 crores).

The utilized amount as per Balance Sheet date amounts to RO 0.419 million (Euro 0.929 million) (₹ 7.99 crores).

(x) Arab Bank for Investment & Foreign Trade (Al Masraf), Abu Dhabi, United Arab Emirates on behalf of Universal Voltas L.L.C. for AED 41.552 million (Euro 9.668 million) (₹ 83.19 crores).

The utilized amount as per Balance Sheet date amounts to AED 16.449 million (Euro 3.827 million) (₹ 32.93 crores).

The aforesaid Corporate Guarantees were issued by Voltas Netherlands B.V., as Shareholder in the respective entities.

The total utilized amount as per Balance Sheet date amounts to Euro 70.888 million (₹ 609.92 crores).

Voltas Limited, as the sole Shareholder of Voltas Netherlands B.V., has guaranteed to provide financial support to Voltas Netherlands B.V. in case a call is made by the beneficiaries of the Corporate Guarantees issued by Voltas Netherlands B.V. Accordingly, Voltas Limited has issued a Corporate Guarantee of Euro 50 million (₹ 430.20 crores) to Voltas Netherlands B.V. in support of the said Corporate Guarantees issued by Voltas Netherlands B.V. to the banks of the respective participations. The said Corporate Guarantee was to the extent of actual utilization of credit facilities by the respective participations and is valid up to 31st March, 2021.

Though the actual utilization amount by the participations has exceeded Euro 50 million (₹ 430.20 crores) as on the balance sheet date, Voltas Limited stands as a guarantor for the excess utilization amount and ensures that Voltas Netherlands B.V. will honor its obligations at all times.

Voltas Limited has also taken action for the renewal of the Corporate Guarantee and will be issuing four separate Corporate Guarantees aggregating Euro 92 million (₹ 791.57 crores) to Voltas Netherlands B.V., for amounts Euro 65 million (₹ 559.26 crores), Euro 13 million (₹ 111.85 crores), Euro 4 million (₹ 34.42 crores) and Euro 10 million (₹ 86.04 crores) in support of the Corporate Guarantees issued by Voltas Netherlands B.V. to the banks of Voltas Qatar W.L.L., Voltas Oman L.L.C., Lalbuksh Voltas Engineering Services & Trading L.L.C. and Universal Voltas L.L.C., respectively. These Corporate Guarantees will be effective 1st April, 2021, and will be valid for a period of three years until 31st March, 2024.

**Dividends from participations**

| | **Euro** | **₹ in '000s** |
|---|---|---|
| Lalbuksh Voltas Engineering Services & Trading L.L.C. (RO 1,80,000) | **4,00,156** | **33,861** |
| Universal Voltas L.L.C. (AED 34,30,000) | **8,01,379** | **67,813** |
| | **12,01,536** | **1,01,674** |

**Fees Corporate Guarantee**

| | **Euro** | **₹ in '000s** |
|---|---|---|
| Voltas Qatar W.L.L. | **2,83,308** | **23,974** |
| Voltas Oman L.L.C. | **71,880** | **6,082** |
| Lalbuksh Voltas Engineering Services & Trading L.L.C. | **9,238** | **782** |
| Universal Voltas L.L.C. | **2,716** | **230** |
| | **3,67,142** | **31,068** |

The Company did not have any employees during 2020-2021 (2019-2020: Nil).

**Operating and Administrative Expenses**

| | **Euro** | **₹ in '000s** |
|---|---|---|
| Fees Corporate Guarantee (Voltas Limited) | **3,64,426** | **30,837** |
| Management costs | **96,792** | **8,191** |
| Audit and advisory expenses | **39,927** | **3,379** |
| Legal fees | **10,425** | **882** |
| Tax advisory costs | **29,905** | **2,531** |
| Other costs | **77** | **6** |
| | **5,41,552** | **45,826** |

**Financial Results**

| | **Euro** | **₹ in '000s** |
|---|---|---|
| Bank cost | **3,047** | **257** |
| Exchange rate differences | **1,13,632** | **9,616** |
| | **1,16,679** | **9,873** |

*Directors* **Anil George**

*Amsterdam, 4th May, 2021* **Johann van der Linden**

NOTES

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