VOLTAS
A TATA Enterprise

Reports and Accounts of Subsidiary Companies

2019-2020

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UNIVERSAL COMFORT PRODUCTS LIMITED

Directors :

Anil George *(Chairman)*

Pradeep Kumar Bakshi

Sandhya S. Kudtarkar

Debendranath Sarangi

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Nineteenth Annual Report and Audited Financial Statements for the year ended 31st March, 2020.

1. **Financial Results:**

₹ in crores

	2019-20	2018-19
Revenue from operations	**1,242**	924
Other Income	**1**	1
Total Income	**1,243**	925
Total expenses	**1,138**	850
Profit before Tax	**105**	75
Tax expense	**26**	27
Profit for the year	**79**	48

The Company has recorded Revenue of ₹ 1,242 crores for the year ended 31st March, 2020 as compared to ₹ 924 crores in the previous year. Profit before tax was at ₹ 105 crores as compared to ₹ 75 crores in the previous year.

2. **COVID-19 – Impact on Business Operations:**

(i) The pandemic novel coronavirus (Covid-19) and the consequent lockdown since 25th March, 2020 has impacted the sales resulting in piling up of inventories and blocking of funds in Working Capital. Production at Factory has been significantly impacted and would continue to remain affected due to non-availability of manpower and other resources, including with the suppliers/vendors. Availability of cash with customers as well as with Supply Chain is another area of concern.

(ii) Efforts and planning of actions required to be taken post lifting of lockdown are being worked out to resume operations both at the Company's factory as well as with OEMs to meet the market demand. Adequate precautionary measures and guidelines for use of PPE's (Personal Protective Equipment), face masks, hand sanitizers, body temperature scanning devices and regular disinfecting the factory premises, social distancing by maintaining distance of 1 Mtr on production/ assembly lines and 2 Mtrs. at entry gates, suspension of physical meetings at work places and offices are being put in place. Full wages have been paid to all employees during the lockdown period. All Management staff are working from home and required assistance / support has been extended to them, including regular communication on Health, Safety and their Well-being.

3. **Amalgamation with Voltas Limited:**

(i) The Directors of the Company have at the Board Meeting held on 27th September, 2019 approved a proposal for amalgamation of the Company with Voltas Limited (Voltas), the holding company, with effect from 1st April, 2019 (Appointed date). This would enhance the shareholders value by leveraging the synergies of doing business; have a common governance structure and effective management of compliances; result into consolidation of business to ensure more focused operational efforts; reduce administrative costs and overhead expenses. Further, it would streamline the overall structure by reducing the number of entities, legal and regulatory compliances required at present and rationalize the costs by eliminating multiple record keeping and administrative functions.

(ii) Based on an application made, the National Company Law Tribunal (NCLT), Mumbai has dispensed with the requirement of convening the Shareholders as well as Creditors Meeting of the Company. However, NCLT has advised to send Notice of amalgamation to all the Creditors and also to the Regulatory Authorities. The Company would initiate the process once the lockdown is lifted and the overall situation resumes normalcy.

4. **Dividend:**

The Directors recommend dividend of ₹ 17.5 per equity share of ₹ 10 each (175%) for the year 2019-20 (2018-19: 175%).

5. **Number of Board Meetings:**

During 2019-20, six Board Meetings were held on 25th April, 2019; 24th July, 2019; 27th September, 2019; 22nd October, 2019; 22nd January, 2020 and 6th March, 2020.

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

In accordance with the provisions of the Companies Act, 2013 (the Act) and the Company's Articles of Association, Mr. Pradeep Bakshi retires by rotation and being eligible, offers himself for re-appointment.

Mr. Nani Javeri, ceased to be an Independent Director of the Company with effect from 3rd July, 2019 upon completion of his term. The Directors place on record their sincere appreciation of the valuable guidance and support given by Mr. Nani Javeri during his long tenure as a Director of the Company.

As the present term of Mr. M. K. Sharma as 'Manager' of the Company was upto 31st May, 2020, the Board has, on the recommendation of the Nomination and Remuneration Committee, reappointed him for a further period of three years. The Resolution seeking approval of the members for appointment of Mr. M. K. Sharma as 'Manager' of the Company forms part of the Notice of the AGM.

Due to certain personal reasons and commitments, Ms. Kajal Jangid, Company Secretary and KMP has tendered her resignation from the services of the Company with effect from 30th June, 2020. The Directors place on record their appreciation for the services rendered by Ms. Kajal during her tenure in the Company. At the same time, based on a search initiated, the Company has shortlisted few candidates for interviews and the vacancy would be filled in once the lockdown is lifted.

7. **Declaration by Independent Director:**

Pursuant to Section 149(7) of the Act, the Company has received declaration from Mr. Debendranath Sarangi, Independent Director confirming that he meets the criteria of independence as specified in Section 149(6) of the Act.

8. **Audit Committee:**

Mrs. Sandhya S. Kudtarkar, Non-Executive Director, was appointed as a member of the Committee with effect from 10th June, 2019 and Mr. Nani Javeri ceased to be a Member upon expiry of his term on 3rd July, 2019. Accordingly, the Audit Committee presently comprises Mr. Anil George (Chairman), Mr. Debendranath Sarangi and Mrs. Sandhya S. Kudtarkar and the composition is in line with the requirements of Section 177 of the Companies Act, 2013 (the Act). The Board has accepted the recommendations made by the Audit Committee, from time to time. During 2019-20, four Audit Committee Meetings were held on 25th April, 2019; 24th July, 2019; 22nd October, 2019 and 22nd January, 2020.

9. **Nomination and Remuneration Committee:**

Mr. Nani Javeri ceased to be a Member of Nomination and Remuneration Committee (NRC) upon expiry of his term on 3rd July, 2019. Mr. Pradeep Bakshi, Non-Executive Director, was appointed as Member and Chairman of NRC with effect from 4th July, 2019. Presently, the NRC comprises Mr. Pradeep Bakshi (Chairman), Mr. Anil George and Mr. Debendranath Sarangi. During 2019-20, one NRC Meeting was held on 25th April, 2019.

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

The Board has adopted the Remuneration Policy for Directors, Key Managerial Personnel (KMP) and other Employees. NRC has also formulated the criteria for determining qualifications, positive attributes and independence of Director as well as criteria for evaluation of individual Directors and the Board.

11. **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 was evaluated by seeking inputs from all Directors based on certain parameters such as: Structure of the Board, Meetings of the Board, Functions of the Board, Board and Management. Consequent upon cessation of Mr. Nani Javeri as an Independent Director of the Company, Mr. Debendranath Sarangi is currently the only Independent Director on the Board. Moreover, pursuant to the Notification dated 5th July, 2019, issued by the Ministry of Corporate Affairs (MCA), as the Company is a wholly–owned subsidiary of Voltas Limited, it is not required to appoint Independent Director/s. As such, the performance evaluation of the Board, Committees and individual Directors was done at the Nomination and Remuneration Committee (NRC) at its Meeting held on 2nd May, 2020. The feedback received from the Directors was discussed and the NRC evaluated the performance of Non-Executive Directors, including the Chairman and the Board as a whole. The performance of Directors, the Board as a whole and various Committees was also reviewed and deliberated at the Board Meeting on 2nd May, 2020.

12. **Corporate Social Responsibility:**

Disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 in prescribed form is enclosed as Annexure I to the Directors' Report. During 2019-20, one Meeting of CSR Committee was held on 24th July, 2019.

13. **Statutory Auditors:**

At the Sixteenth Annual General Meeting of Company held on 3rd July, 2017, the shareholders had approved appointment of S R B C & Co. LLP (SRBC), as the Statutory Auditors for five consecutive financial years from the conclusion of the Sixteenth AGM till the conclusion of the Twenty-First AGM of the Company to be held in the year 2022. The Auditors' Report for 2019-20 does not contain any qualification, reservation or adverse remark.

14. **Cost Records and Auditors:**

Cost records as specified by the Central Government under Section 148(1) of the Act are made and maintained by the Company.

The Board had appointed M/s. Sagar & Associates, Cost Accountants as the Cost Auditors for the financial year 2019-20. M/s. Sagar & Associates have been re-appointed as Cost Auditors of the Company for the financial year 2020-21 and approval of the Shareholders is being sought for ratification of their remuneration.

15. **Secretarial Auditor:**

M/s. N L Bhatia & Associates, the Practicing Company Secretaries were appointed as Secretarial Auditor to undertake Secretarial Audit of the Company for the year 2019-20. Their Secretarial Audit Report in prescribed Form No. MR-3 and the annual Secretarial Compliance Report, are annexed as Annexure II. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark. The Board has re-appointed them as the Secretarial Auditor of the Company for 2020-21.

16. **Risk Management:**

The Company is engaged in the business of manufacturing air-conditioners for Voltas Limited, the holding company and is the preferred vendor for Split ACs as compared to other OEMs/vendors of Voltas. The Company also supplies Split AC units to Voltas distributors/dealers, across the country. Production planning at Pantnagar Plant is done based on quantity requirements indicated by Voltas in advance. In the opinion of the Board, there are no foreseeable risks which could impact the existence of the Company or its business operations.

17. **Extract of the Annual Return:**

Pursuant to Section 92(3) of the Act, read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return in Form No. MGT-9 is enclosed as Annexure III to the Report.

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

Information pursuant to Section 134(3)(m) of the Act, relating to conservation of energy, technology absorption, foreign exchange earning and outgo are given by way of Annexure IV to this Report.

19. **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.

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

During the year under review, the Company did not have any contracts or arrangements with related parties in terms of Section 188(1) of the Act.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act with justification for entering into such contracts or arrangements in Form AOC-2 does not form part of this Report, as the same is not applicable.

21. **Secretarial Standards:**

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

22. **Directors' Responsibility Statement:**

Based on the compliance systems established and maintained by the Company, work performed by the Internal, Statutory, Cost 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, the applicable accounting standards have been followed and that there were no material departures;

(ii) they have, in the selection of the 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 the 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.

23. **General:**

The Company has complied with provisions relating to constitution of Internal Complaints Committee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During 2019-20, no written complaints were received.

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

On behalf of the Board of Directors

Anil George

Mumbai, 2nd May, 2020 — *Chairman*

Annexure I

ANNUAL REPORT ON CSR ACTIVITIES

[Pursuant to Section 134(3)(o) of the Companies Act, 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. **Brief outline of the Company's CSR Policy, including overview of the projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs:**

   The CSR Policy sets out the Company's commitment and approach towards Corporate Social Responsibility of improving the quality of life of the communities it serves. The Company endeavors to facilitate livelihood opportunities and promote socio-cultural development. There has been no change in the Company's CSR Policy during FY 2019-20. As the Company does not have a website, no web-link is furnished.

2. **Composition of the CSR Committee:**
   - Mr. Anil George (Non-Executive Chairman)
   - Mr. Pradeep Bakshi (Non-Executive Director)

3. **Average net profit of the Company for last three financial years:** ₹102.07 crores.

4. **Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above):** ₹ 2.04 crores.

5. **Details of CSR spent during the financial year:**

   (a) **Total amount to be spent for the financial year:** ₹ 2.04 crores.

   (b) **Amount unspent, if any:** Nil

   (c) **Manner in which the amount spent during the financial year is detailed below:**

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or Programs, Local area or other	Amount Outlay (budget) project or program wise	Amount spent on the projects or programs Sub heads: 1. Direct expenditure on projects or programs 2. Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1.	Supplementary Nutrition Program; Treatment, nutrition and rehabilitation support to teenage and young adults suffering from Life threatening diseases; Cancer Care – Diagnostic Equipment for OPD Lab and Ambulance to handle emergencies; Lifeline Express (World's First hospital on a train for the poor and underprivileged masses of rural India); Providing infection free environment, good nutrition and emotional support to cancer patients and support to the families; Cataract operation, epilepsy and paramedical care for the poor; Medical treatment, nutrition, developmental activities and overall care of juvenile cancer patients.	Health	Gujarat, Mumbai, Tirupati, Chhattisgarh	₹ 1.65 crore	Direct expenditure	₹ 1.65 crore	• Bhansali Trust • KARO Trust • Tata Trusts • Impact India -Lifeline Express • Medical Research Foundation (Sankara Nethralaya) • St. Jude Child Care Centre

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or Programs, Local area or other	Amount Outlay (budget) project or program wise	Amount spent on the projects or programs Sub heads: 1. Direct expenditure on projects or programs 2. Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
2.	Donation of books to libraries; Educating the Children from Municipal School; Research on environmental laws and public health issues; Support for Quality Education of children from marginalized and vulnerable sections of the community	Education	Mumbai and across India	₹ 0.31 crore	Direct expenditure	₹ 1.96 crores	• The MARG Foundation • Vidhi Centre for Legal Policy • CRY (Child Right and You)
3.	Katalyst Program (Enhancing employability of girls through skill development, Mentorship, interview Skill, Soft Skills etc.); Developing Montessori Teachers Training Course Material; Upliftment of Blind through Skill Training to make them self-employed and self-reliant; Support to deaf boys and girls, specially from the under privileged community to build their employability by providing suitable vocational training.	Vocational Skills	Mumbai and Pune	₹ 0.15 crore	Direct expenditure	₹ 2.11 crores	• Human Capital for Third Sector • Sir Ratan Tata Trust • Jyotirgamaya Foundation • All India Federation for the Deaf

6. **In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.**

   The required amount towards CSR has been duly spent.

7. **A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.**

   This is to confirm that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

Anil George
Chairman – CSR Committee

Pradeep Kumar Bakshi
Director

Annexure II

SECRETARIAL AUDIT REPORT

FORM NO. MR-3

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

[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 COMFORT PRODUCTS LIMITED

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UNIVERSAL COMFORT PRODUCTS 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, 2020 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, 2020 according to the provisions of:

(1) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(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; **Not applicable to the Company.**

(4) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment; **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 (Issue and Listing of Debt Securities) Regulations, 2008.

(6) Other Laws applicable to the Company;

1. Bombay Labour Welfare Fund
2. Bombay Stamp Act, 1958
3. Child Labour (Prohibition and Regulation) Act, 1986 and Rules
4. Children (Pledging of Labour) Act, 1933
5. Contract Labour (Regulation and Abolition) Act, 1970 and Rules
6. Employees Compensation Act, 1923
7. Employees Provident Funds Act and Miscellaneous Provisions Act, 1952
8. Employees State Insurance Act, 1948, Rules and Regulations
9. Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
10. Equal Remuneration Act, 1976
11. E-Waste (Management) Rules, 2016
12. Income Tax Act, 1961 and Rules
13. The Central Goods and Services Tax Act, 2017
14. The Integrated Goods and Services Tax Act, 2017
15. Uttarakhand Goods and Services Tax Act, 2017
16. Inter-State Migrant Workmen Regulation of Employment and Conditions of Service Act, 1979
17. Maternity Benefit Act, 1961 and Rules
18. Micro, Small and Medium Enterprises Development Act, 2006
19. Minimum Wages Act, 1948 and State Rules
20. Payment of Bonus Act, 1965 and Rules
21. Payment of Wages Act, 1936 and Rules
22. Personal injuries (Compensation Insurance) Act, 1963
23. Legal Metrology Act, 2009
24. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

We have also examined compliance with the applicable clauses of the following:

(i) 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 with proper balance of Non-Executive Directors and Independent Director. The changes in the composition of the Board of Directors during the period under review were in accordance with the provision of the Companies Act, 2013 and the rules made thereunder. For day-to-day operations, the Company has a Manager under Companies Act, 2013.

Adequate notice is given to all Directors to schedule the Board Meetings, Agenda and detailed notes were sent at least seven days in advance for Meetings other than those held at a shorter notice, 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 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.

We further report that during the audit period, the following specific events / actions took place in pursuance of the above referred Laws, Rules, Regulations and Guidelines, Standards, etc.

1. The Company has filed a scheme of amalgamation for merger of the company with Voltas Limited, its holding company with National company Law Tribunal (NCLT), Mumbai.

For **M/s N L Bhatia & Associates**
Practicing Company Secretaries
UIN: P1996MH055800
UDIN: F001176B000163503

N. L. Bhatia
Managing Partner
FCS No. 1176
CP No. 422

Date: 17th April, 2020
Place: Mumbai

TO

THE MEMBERS OF

UNIVERSAL COMFORT PRODUCTS 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) Wherever 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, Standard 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 **M/s N L Bhatia & Associates**
Practicing Company Secretaries
UIN: P1996MH055800
UDIN: F001176B000163503

N. L. Bhatia
Managing Partner
FCS No. 1176
CP No. 422

Date: 17th April, 2020
Place: Mumbai

Annexure III
Form No. MGT-9

EXTRACT OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2020

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i	CIN	U29193MH2001PLC249228
ii	Registration Date	29th June, 2001
iii	Name of the Company	Universal Comfort Products Limited
iv	Category/ Sub-Category of the Company	Company Limited by Shares/ Indian Non-Government Company
v	Address of the Registered office and contact details	Voltas House 'B', T. B. Kadam Marg, Chinchpokli, Mumbai 400 033. Tel: 022 66656666; Fax: 022 66656935
vi	Whether listed company	No
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	None

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the product/ service	% to total turnover of the company
1.	Manufacturing and sale of air conditioners	28192	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1.	Voltas Limited Voltas House 'A', Dr. Babasaheb Ambedkar Road, Chinchpokli, Mumbai - 400 033	L29308MH1954PLC009371	Holding	100%	2 (46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1-4-2019)				No. of Shares held at the end of the year (As on 31-3-2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
Bodies Corporate	Nil	2,76,42,000	2,76,42,000	100%	Nil	2,76,42,000	2,76,42,000	100%	Nil
(2) Foreign	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Shareholding of Promoter (A)	**Nil**	**2,76,42,000**	**2,76,42,000**	**100%**	**Nil**	**2,76,42,000**	**2,76,42,000**	**100%**	**Nil**
B. Public Shareholding	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Public Shareholding (B)	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	**Nil**	**2,76,42,000**	**2,76,42,000**	**100%**	**Nil**	**2,76,42,000**	**2,76,42,000**	**100%**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1-4-2019)			Shareholding at the end of the year (As on 31-3-2020)			% change in Shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	
1.	Voltas Limited	2,76,41,993	100%	Nil	2,76,41,993	100%	Nil	0
2.	Voltas Limited Jointly with V. P. Malhotra	1	—	Nil	1	—	Nil	0
3.	Voltas Limited Jointly with Utsav Shah	1	—	Nil	—	—	Nil	0
4.	Voltas Limited Jointly with Rajesh Bhatia	1	—	Nil	1	—	Nil	0
5.	Voltas Limited Jointly with Abhijit Gajendragadkar	1	—	Nil	—	—	Nil	0
6.	Voltas Limited Jointly with Anil George	1	—	Nil	1	—	Nil	0
7.	Voltas Limited Jointly with Vinod Chandrashekar	1	—	Nil	1	—	Nil	0
8.	Voltas Limited Jointly with Pradeep Bakshi	1	—	Nil	1	—	Nil	0
9.	Voltas Limited Jointly with Manish Desai	—	—	Nil	1	—	Nil	0
10.	Voltas Limited Jointly with Kajal Jangid	—	—	Nil	1	—	Nil	0
	Total	**2,76,42,000**	**100%**	**Nil**	**2,76,42,000**	**100%**	**Nil**	**0**

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	At the beginning of the year (1-4-2019)	There is no change in Promoters' Shareholding between 1-4-2019 and 31-3-2020			
2.	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity, etc.):				
3.	At the end of the year (31-3-2020)				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): Not Applicable

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the beginning of the year (1-4-2019)					
1.	Anil George	1*	—	1*	—
2.	Nani Javeri (Upto 3rd July, 2019)	0	0	0	0
3.	Pradeep Kumar Bakshi	1*	—	1*	—
4.	Sandhya S. Kudtarkar	0	0	0	0
5.	Debendranath Sarangi	0	0	0	0
Key Managerial Personnel					
1.	M. K. Sharma	0	0	0	0
2.	Kajal Jangid	0	0	1*	0
3.	Srinivas Raju	0	0	0	0
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity, etc):		Transfer of I share held by Voltas Limited jointly with Abhijit Gajendragadkar to Voltas Limited jointly with Kajal Jangid on 24-7-2019.			

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the end of the year (31-3-2020)					
1.	Anil George			1*	--
2.	Nani Javeri (Upto 3rd July, 2019)			—	—
3.	Pradeep Kumar Bakshi			1*	—
4.	Sandhya S. Kudtarkar			0	0
5.	Debendranath Sarangi			0	0
Key Managerial Personnel					
1.	M. K. Sharma			0	0
2.	Kajal Jangid			1*	—
3.	Srinivas Raju			0	0

* jointly with Voltas Limited

V. INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/accrued but not due for payment: Nil

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

₹ in Lakhs

Sl. No.	Particulars of Remuneration	Name of Manager
		M. K. Sharma
1.	Gross salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	 65.85 2.05 Nil
2.	Stock Option	Nil
3.	Sweat Equity	Nil
4.	Commission - as % of profit - others, specify	Nil
5.	Others, please specify - Provident Fund and Superannuation	 3.41
	Total (A)	71.31
	Ceiling as per the Act (5% of profit u/s 198 of the Companies Act, 2013)	525.06

B. Remuneration to other directors:

Fees for attending Board/Committee meetings:

₹ in Lakhs

Mr. Nani Javeri (upto 3rd July, 2019)	Mrs. Sandhya S. Kudtarkar	Mr. Debendranath Sarangi	Total
0.60	1.80	2.20	4.60

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

₹ in Lakhs

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	
		Srinivas Raju CFO	Kajal Jangid Company Secretary
1.	Gross salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961 (c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	 42.25 0.77 Nil	 13.75 Nil Nil
2.	Stock Option	Nil	Nil
3.	Sweat Equity	Nil	Nil
4.	Commission - as % of profit - others, specify	Nil	Nil
5.	Others, please specify - Provident Fund and Superannuation	 1.52	 0.47
	Total	44.54	14.22

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: None

On behalf of the Board of Directors

Anil George
Chairman

Mumbai, 2nd May, 2020

Annexure IV

ANNEXURE TO DIRECTORS' REPORT

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required under the Companies (Accounts) Rules, 2014

A. Conservation of Energy:

With a view to conserve the natural resources by managing energy in manufacturing activities, a structured approach was applied for energy management and following energy conservation projects were taken:-

(a) Replaced conventional mercury type high bay luminaires with LED.

(b) Installed high efficiency motors on Vacuum Pumps on Assembly Line-1.

(c) Installed solar street lights in the Plant backyard.

(d) Installation of an alarm system for electric supply changeover.

(e) Installation of control panel for optimisation of bore-well running.

Annual Power saving expenses of ₹ 10.83 lakhs and equivalent Carbon foot print reduction by above initiatives is 110 tons per annum.

B. Technology Absorption:

The following initiatives have been taken which has resulted in product improvement / product development and reduction in cost to end consumer and also as an import substitution.

(a) Complete switch over to the use of eco-friendly R32 Refrigerant in AC models instead of R22 Refrigerant.

(b) Development and launch of 2 ton 3 Star and 5 Star Inverter AC model by downsizing the chassis.

(c) Development and launch of 1.5 ton 3 Star Fixed Speed AC model with optimised Heat Exchanger and chassis.

(d) Development and launch of 1.5 ton 3 Star and 5 Star Inverter AC model by coil size reduction.

(e) Development and launch of Maha-Adjustable Inverter Split AC in range of 1, 1.5, 2 ton.

(f) Development of in-house designed Indoor unit in 1 ton and 1.5 ton category.

The Company had incurred R&D expenditure of ₹ 1.33 crores (0.11%) during FY 2019-20.

C. Foreign Exchange Earnings and Outgo:

Expenditure in foreign currency: ₹ 1.48 crores.

On behalf of the Board of Directors

Anil George

Mumbai, 2nd May, 2020 *Chairman*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

UNIVERSAL COMFORT PRODUCTS LIMITED

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Universal Comfort Products Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and 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, 2020, 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.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's 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 judgements 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.

Those 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 judgement 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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, 2020 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 26 to the Ind AS financial statements;
      (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
      (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: 038730)
UDIN: 20038730AAAAAM2841

Mumbai, May 02, 2020

ANNEXURE "1" REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) Fixed assets 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, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

(iii) According to the information and explanations given to 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) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture of Air Conditioners, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, custom duty, goods and service tax, cess and other statutory dues applicable to it. The payment of Goods and Services Tax amounting INR 422.70 lakhs for the month of March 2020 shall be paid subsequent to the due date without any interest in accordance to Notification No 31/2020 and 32/2020 dated April 03, 2020 issued by the Government of India, Ministry of Finance (Department of Revenue), Central Board of Indirect Taxes and Customs.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, custom duty, goods and service tax, cess and other 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, sales-tax, service tax, custom duty, value added tax and cess on account of any dispute. The dues outstanding in respect of excise duty are as follows:

Name of the statute	Nature of the dues	Amount (₹ in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act	Excise Duty	63.92	2009-10	CESTAT

(viii) The Company did not have any outstanding loans or borrowing due in respect of a financial institution or bank or to government or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, 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) of the Order 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, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to 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, 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) of the Order are not applicable to the Company and, not commented upon.

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

(xvi) According to the information and explanations given to 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: 038730)
UDIN: 20038730AAAAAM2841

Mumbai, May 02, 2020

ANNEXURE "2" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS

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 Comfort Products Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Ind AS 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 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 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 system over financial reporting with reference to these standalone financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 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

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, 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: 038730)
UDIN: 20038730AAAAAM2841

Mumbai, May 02, 2020

BALANCE SHEET AS AT 31ST MARCH, 2020

		Note	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
A.	**ASSETS**			
	1. NON-CURRENT ASSETS			
	(a) Property, plant and equipment	2	**1,629.80**	1,202.97
	(b) Capital work-in-progress	2	**146.89**	45.65
	(c) Intangible assets	2	**0.29**	0.34
	(d) Right-of-use assets	3	**219.60**	—
	(e) Financial assets			
	(i) Other financial assets	4	**50.37**	22.90
	(f) Income tax assets (net)		**519.79**	434.92
	(g) Other non-current assets	5	**298.67**	533.30
			2,865.41	2,240.08
	2. CURRENT ASSETS			
	(a) Inventories	7	**11,268.68**	10,068.31
	(b) Financial assets			
	(i) Trade receivables	8	**39,599.90**	32,821.30
	(ii) Cash and cash equivalents	9	**160.27**	78.11
	(iii) Other financial assets	4	**592.32**	662.61
	(c) Other current assets	5	**195.59**	81.81
			51,816.76	43,712.14
		Total	**54,682.17**	45,952.22
B.	**EQUITY AND LIABILITIES**			
	1. EQUITY			
	(a) Equity share capital	10	**2,764.20**	2,764.20
	(b) Other equity	11	**26,871.92**	24,844.22
	Total equity		**29,636.12**	27,608.42
	2. LIABILITIES			
	NON-CURRENT LIABILITIES			
	(a) Provisions	12	**30.97**	23.46
	(b) Other non-current liabilities	13	**660.36**	—
	(c) Deferred tax liabilities (net)	6	**141.97**	208.42
			833.30	231.88
	3. CURRENT LIABILITIES			
	(a) Financial liabilities			
	(i) Trade payables			
	(a) total outstanding of micro enterprises and small enterprises	14	**487.39**	1,369.76
	(b) total outstanding dues of creditors other than micro enterprises and small enterprises	14	**23,088.39**	15,252.32
	(ii) Other financial liabilities	15	**120.17**	220.06
	(b) Provisions	12	**7.33**	5.69
	(c) Other current liabilities	16	**509.47**	1,264.09
			24,212.75	18,111.92
	Total liabilities		**25,046.05**	18,343.80
	Total equity and liabilities	Total	**54,682.17**	45,952.22
	The accompanying notes are forming part of the financial statements.	1-35		

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Dolphy D'Souza
Partner
Membership No: 038730
Mumbai, 2nd May, 2020

For and on behalf of the Board of Directors

Chairman **Anil George**
Director **Pradeep Kumar Bakshi**
Manager **Mahendra K. Sharma**
Chief Financial Officer **Srinivas Raju**
Company Secretary **Kajal Jangid**

Mumbai, 2nd May, 2020

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

		Note	₹ in Lakhs	2018-19 ₹ in Lakhs
1.	**INCOME**			
	(a) Revenue from operations	17	**1,24,262.79**	92,470.68
	(b) Other income	18	**1.40**	79.45
	TOTAL INCOME		**1,24,264.19**	92,550.13
2.	**EXPENSES**			
	(a) Cost of materials consumed		**1,10,164.25**	82,007.19
	(b) Changes in inventories of finished goods	19	**(836.11)**	(1,192.39)
	(c) Employee benefits expense	20	**563.85**	543.06
	(d) Depreciation and amortisation expense	21	**134.48**	133.60
	(e) Other expenses	22	**3,736.49**	3,531.27
	TOTAL EXPENSES		**1,13,762.96**	85,022.73
3.	**PROFIT BEFORE TAX**		**10,501.23**	7,527.40
4.	**TAX EXPENSE**			
	(a) Current tax	25	**2,705.21**	2,686.80
	(b) Deferred tax	6	**(65.67)**	20.00
	TOTAL TAX EXPENSE		**2,639.54**	2,706.80
	NET PROFIT FOR THE YEAR		**7,861.69**	4,820.60
5.	**OTHER COMPREHENSIVE INCOME**			
	Items not reclassified to profit or loss in subsequent periods:			
	Remeasurement gains / (losses) on defined benefit plans		**(3.08)**	(0.89)
	Income tax relating to this item		**0.78**	0.31
	Other comprehensive income (net of tax)		**(2.30)**	(0.58)
6.	**TOTAL COMPREHENSIVE INCOME**		**7,859.39**	4,820.02
7.	**EARNINGS PER SHARE**	29		
	Basic and Diluted - (₹)		**28.44**	17.44
	Face Value per equity share - (₹)		**10.00**	10.00
	The accompanying notes are forming part of the financial statements.	1-35		

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Dolphy D'Souza
Partner
Membership No: 038730
Mumbai, 2nd May, 2020

For and on behalf of the Board of Directors

Chairman **Anil George**
Director **Pradeep Kumar Bakshi**
Manager **Mahendra K. Sharma**
Chief Financial Officer **Srinivas Raju**
Company Secretary **Kajal Jangid**

Mumbai, 2nd May, 2020

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

A. Equity share capital

	₹ in Lakhs
As at 1st April, 2018	2,764.20
As at 31st March, 2019	2,764.20
Changes in equity share capital	—
As at 31st March, 2020	**2,764.20**

B. Other equity

	Reserves and surplus		₹ in Lakhs
	General Reserve	**Retained earning**	**Total other equity**
Balance as at 1st April, 2018	2,775.00	23,080.88	25,855.88
Profit for the year	—	4,820.60	4,820.60
Other comprehensive income	—	(0.58)	(0.58)
Total Comprehensive Income	—	4,820.02	4,820.02
Transfer to General Reserve	725.00	(725.00)	—
Payment of Dividend	—	(4,837.35)	(4,837.35)
Dividend Distribution tax	—	(994.33)	(994.33)
Balance as at 31st March, 2019	3,500.00	21,344.22	24,844.22
Profit for the year	—	7,861.69	7,861.69
Other comprehensive income	—	(2.30)	(2.30)
Total comprehensive income	—	7,859.39	7,859.39
Transfer to General Reserve	—	—	—
Payment of Dividend	—	(4,837.35)	(4,837.35)
Dividend Distribution tax	—	(994.33)	(994.33)
Balance as at 31st March, 2020	**3,500.00**	**23,371.93**	**26,871.93**

The accompanying notes are forming part of financial statements.

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Dolphy D'Souza
Partner
Membership No: 038730
Mumbai, 2nd May, 2020

For and on behalf of the Board of Directors

Chairman **Anil George**
Director **Pradeep Kumar Bakshi**
Manager **Mahendra K. Sharma**
Chief Financial Officer **Srinivas Raju**
Company Secretary **Kajal Jangid**

Mumbai, 2nd May, 2020

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2020

		₹ in Lakhs	2018-19 ₹ in Lakhs
A.	**Cash Flow from Operating activities**		
	Profit before tax	**10,501.23**	7,527.40
	Adjustments for:		
	Interest income	**(0.90)**	(0.97)
	Depreciation and amortisation expenses	**134.48**	133.60
	Amortisation of lease prepayment	**—**	2.81
	(Profit)/Loss on sale of fixed assets	**25.19**	(1.95)
	Operating profit before working capital changes	**10,659.99**	7,660.89
	Changes in working capital:		
	Adjustments for (increase) / decrease in operating assets:		
	Inventories	**(1,200.37)**	(2,297.07)
	Trade receivables	**(6,778.60)**	2,980.23
	Other financial assets	**42.82**	27.64
	Other current assets	**(78.25)**	8.05
	Other non-current assets	**11.65**	1.79
	Adjustments for increase / (decrease) in operating liabilities:		
	Trade payables	**6,953.69**	(216.54)
	Other financial liabilities	**(99.89)**	215.06
	Other current liabilities	**(754.62)**	237.22
	Other non-current liabilities	**660.36**	—
	Provisions	**6.07**	5.44
	Cash generated from operations	**9,422.86**	8,622.71
	Net income tax paid	**(2,790.10)**	(3,132.07)
	Net cash flow from Operating activities (A)	**6,632.75**	5,490.64
B.	**Cash Flow from Investing activities**		
	Purchase of property, plant and equipment	**(720.77)**	(119.26)
	Sale of property, plant and equipment	**0.92**	7.21
	Interest received	**0.90**	—
	Net cash flow (used in) Investing activities (B)	**(718.95)**	(112.05)
C.	**Cash Flow from Financing activities**		
	Dividend paid	**(4,837.35)**	(4,837.35)
	Tax on dividend paid	**(994.33)**	(994.33)
	Net cash flow (used in) Financing activities (C)	**(5,831.68)**	(5,831.68)
	Net increase/(decrease) in Cash and cash equivalents (A+B+C)	**82.12**	(453.09)
	Cash and cash equivalents at the beginning of the year	**78.11**	531.20
	Cash and cash equivalents at the end of the year (Refer Note 9)	**160.27**	78.11

The accompanying notes are forming part of the financial statements.

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Dolphy D'Souza
Partner
Membership No: 038730
Mumbai, 2nd May, 2020

For and on behalf of the Board of Directors

Chairman	**Anil George**
Director	**Pradeep Kumar Bakshi**
Manager	**Mahendra K. Sharma**
Chief Financial Officer	**Srinivas Raju**
Company Secretary	**Kajal Jangid**

Mumbai, 2nd May, 2020

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

1. CORPORATE INFORMATION

Universal Comfort Products Limited ("the Company") is a Public Limited Company domiciled in India. The Company is engaged in the business of manufacturing room air conditioners and is a wholly owned subsidiary of Voltas Limited.

1A. Significant accounting policies

(a) BASIS OF PREPARATION

The financial statements of the Company 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, (Ind AS compliant Schedule III). The accounting policies adopted for preparation and presentation of financial statements have been consistently applied except for the changes in accounting policy for amendments to the standard that were issued by MCA, effective for annual period beginning from on or after 1st April, 2019.

(b) 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 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 1B.

(c) REVENUE

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.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on handing over the goods to transporter. The normal credit term is upto 90 days.

Interest income

Interest income from a financial asset is recognised using the effective interest rate (EIR).

(d) 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.

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 (o) 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.

(e) 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

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.

(f) GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(g) EMPLOYEE BENEFITS

(a) Retirement benefits costs and termination benefits

(i) Defined Contribution Plans

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the respective funds. The Company recognizes contribution payable to the provident fund and superannuation scheme as an expense, when an employee renders the related service.

(ii) Defined Benefit Plans

The Company operates a defined benefit gratuity plan. 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.

Remeasurement, 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.

Remeasurement 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
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or 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.

(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. The Company presents the leave as a current liability in the Balance Sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

(h) 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 assets 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
Factory Building	30 years
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.

(i) 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. Intangible assets representing cost of software capitalised is amortised over its useful life which is estimated to be a period of four years.

(j) FOREIGN CURRENCIES

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.

(k) 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 Group 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 as follows:

Lease hold Land: 99 years

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

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 (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.

(l) INVENTORIES

Inventories are valued at lower of cost or net realisable value, cost being worked out on weighted average basis. Cost includes all charges for bringing the goods to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(m) 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 tax are those that are enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit and Loss.

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.

(n) PROVISIONS AND CONTINGENCIES

Provisions

Provisions are recognised 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.

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.

(o) 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.

(a) Financial Assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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 or Loss. This category generally applies to trade receivables, loans and other financial assets.

- Financial assets at fair value through other comprehensive income (FVTOCI)

  Financial assets are subsequently measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets and the asset's contractual cash flow represents SPPI.

  Financial instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the Profit and Loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Profit and Loss.

- Financial assets at Fair Value Through Profit and Loss (FVTPL)

  FVTPL is a residual category for financial assets. Any financial assets, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Financial assets included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

  De-recogntion

  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 asset are transferred.

(b) 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.

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.

- 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 profit or 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 derecognition 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 or loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

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.

(p) IMPAIRMENT

(a) Financial 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 market conditions.

For all financial assets other than trade receivables, 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, 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.

(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 or loss.

(q) CASH AND CASH EQUIVALENTS

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

(r) EARNINGS PER SHARE

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.

(s) OPERATING CYCLE

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of business and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/ non-current classification of assets and liabilities.

1B Significant Accounting Judgements, Estimates and Assumptions

In the application of the Company's accounting policies, which are described in Note 1A, 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 recognized 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.

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 31.

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 reassessment may result in change in depreciation and amortisation expense in future periods.

1C Change in accounting policy

Ind AS 116 Leases

Ind AS 116 supersedes Ind AS 17 'Leases' and it sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Group is the lessor.

The Company adopted Ind AS 116 using modified retrospective approach for transitioning by recognising right of use asset and an equal amount of lease liability on 1st April, 2019.

The implementation of Ind AS 116 resulted into reclassification of long-term lease hold land from other non-current assets to Right-of-use as at 1st April, 2019 of ₹ 219.60 lakhs. Further, the application of Ind AS 116 did not have any significant impact on the financial statements and EPS for the year ended 31st March, 2020.

2. Property, Plant and Equipment, Capital work-in-progress and Intangible assets

₹ in Lakhs

	Property, Plant and Equipment					**Total**	**Capital Work in Progress**	**Intangible Assets**	**Grand Total**
	Buildings	**Plant and Equipment**	**Furniture and Fixtures**	**Office Equipment**	**Vehicles**			**Software**	
Gross carrying amount									
As at 1st April, 2018	786.42	1,445.02	81.74	69.66	26.96	2,409.80	73.43	43.99	2,527.22
Additions	—	130.45	14.64	1.95	—	147.04	48.91	—	195.95
Disposals/ Transfer out	—	(25.95)	(2.14)	(1.79)	(6.88)	(36.76)	(76.69)	—	(113.45)
As at 31st March, 2019	786.42	1,549.52	94.24	69.82	20.08	2,520.08	45.65	43.99	2,609.72
Depreciation									
As at 1st April, 2018	314.37	748.15	64.43	64.38	23.73	1,215.06	—	43.60	1,258.66
Charge for the year	32.99	93.10	5.70	0.93	0.83	133.55	—	0.05	133.60
Disposals	—	(22.17)	(2.14)	(1.71)	(5.48)	(31.50)	—	—	(31.50)
As at 31st March, 2019	347.36	819.08	67.99	63.60	19.08	1,317.11	—	43.65	1,360.76
Net carrying amount at As at 1st March, 2019	439.06	730.44	26.25	6.22	1.00	1,202.97	45.65	0.34	1,248.96
Gross carrying amount									
As at 1st April, 2019	786.42	1,549.52	94.24	69.82	20.08	2,520.08	45.65	43.99	2,609.72
Additions	14.40	582.61	8.50	2.08	12.50	620.09	455.11	—	1,075.20
Disposals/Transfer out	—	(279.04)	—	(0.31)	—	(279.35)	(353.87)	—	(633.22)
As at 31st March, 2020	**800.82**	**1,853.09**	**102.74**	**71.59**	**32.58**	**2,860.82**	**146.89**	**43.99**	**3,051.70**
Depreciation									
As at 1st April, 2019	347.36	819.08	67.99	63.60	19.08	1,317.11	—	43.65	1,360.76
Charge for the year	24.22	101.65	3.25	1.19	1.31	131.62	—	0.05	131.67
Disposals	—	(217.42)	—	(0.29)	—	(217.71)	—	—	(217.71)
As at 31st March, 2020	**371.58**	**703.31**	**71.24**	**64.50**	**20.39**	**1,231.02**	—	**43.70**	**1,274.72**
Net carrying amount at 31st March, 2020	**429.24**	**1,149.78**	**31.50**	**7.09**	**12.19**	**1,629.80**	**146.89**	**0.29**	**1,776.98**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

3. RIGHT-OF-USE ASSETS

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Leasehold land		
Gross carrying value		
At 1st April, 2019	—	—
Reclassification under IND AS 116	256.26	—
Additions	—	—
Disposals	—	—
As at 31st March, 2020	**256.26**	—
Amortisation		
At 1st April, 2019		
Reclassification under IND AS 116	33.85	—
Charge for the year	2.81	—
Disposals	—	—
At 31st March, 2020	**36.66**	—
Net carrying value as at 31st March, 2020	**219.60**	—

4. FINANCIAL ASSETS

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
(A) Non-current		
Security deposits	**50.37**	22.90
	50.37	22.90
(B) Current		
Government Grant Receivables	**583.81**	626.62
Security deposits	**8.51**	35.99
	592.32	662.61

5. OTHER ASSETS

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
(A) Non-current		
Lease prepayment (Refer Note below)	—	222.41
Capital Advances	—	0.57
Balance with government authorities:		
Unsecured, considered good	**298.67**	310.32
Credit impaired	—	47.15
	298.67	580.45
Less: Impairment allowance	—	(47.15)
	298.67	533.30

Note : During the current year, Leasehold land has been reclassified as right-of-use asset under Ind AS 116 .

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
(B) Current		
Prepaid expenses	**60.73**	67.53
Balance with government authorities	**93.41**	8.63
Advance to suppliers	**5.92**	5.65
Others Receivables	**35.53**	—
	195.59	81.81

6. DEFERRED TAX

The balance comprises temporary differences attributable to:

₹ in Lakhs

	As at 31-3-2019	**(Charged) / Credited to Statement of Profit and Loss**	**(Charged) / Credited to OCI**	**As at 31-3-2020**
Provision for employee benefits	10.53	**(1.31)**	**0.78**	**10.00**
Unpaid statutory liabilities	16.48	**(16.48)**	**—**	**—**
Government Grants	—	**138.93**	**—**	**138.93**
Deferred Tax Assets	27.01	**121.14**	**0.78**	**148.93**
Property, plant and equipment and intangible assets	(235.43)	**(55.47)**	**—**	**(290.90)**
Deferred Tax Liabilities	(235.43)	**(55.47)**	**—**	**(290.90)**
Net Deferred Tax Assets / (Liabilities)	(208.42)	**65.67**	**0.78**	**(141.97)**

	As at 31-3-2018	(Charged) / Credited to Statement of Profit and Loss	(Charged) / Credited to OCI	As at 31-3-2019
Provision for employee benefits	8.31	1.91	0.31	10.53
Unpaid statutory liabilities	41.70	(25.22)	—	16.48
Deferred Tax Assets	50.01	(23.31)	0.31	27.01
Property, plant and equipment and intangible assets	(238.75)	3.32	—	(235.43)
Deferred Tax Liabilities	(238.75)	3.32	—	(235.43)
Net Deferred Tax Assets / (Liabilities)	(188.74)	(20.00)	0.31	(208.42)

7. INVENTORIES (at lower of cost and net realisable value)

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Raw materials and components	**5,451.80**	5,090.95
Stores and spares	**113.44**	110.03
Finished goods	**5,703.44**	4,867.33
	11,268.68	10,068.31
Inventories includes goods-in-transit:		
Raw materials and Components	**280.94**	0.05
Total goods-in-transit	**280.94**	0.05
Note :		
Provision for write-down on value of inventory	—	32.30

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

8. TRADE RECEIVABLES

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Trade receivables	**269.26**	105.08
Receivables from related parties (Refer Note 30)	**39,330.64**	32,716.22
	39,599.90	32,821.30
Break-up of security details		
Secured, considered good	**—**	—
Unsecured, considered good	**39,599.90**	32,821.30
	39,599.90	32,821.30

Note: Trade receivables are non-interest bearing and are on terms of 90 days.

9. CASH AND CASH EQUIVALENTS

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Balances with bank		
- on current account	**160.27**	78.11

Note:

Non-cash investing and financing transaction:

There are no Non-cash investing and financing transactions to be disclosed under cash flow statements.

Changes in liabilities arising from financing activities:

The changes in liabilities arising from financing activities is on account of cash flow changes only and there are no non-cash changes..

10. EQUITY SHARE CAPITAL

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
(a) Authorised share capital:		
5,00,00,000 (31st March, 2019: 5,00,00,000) equity shares of 10 each	**5,000.00**	5,000.00
	5,000.00	5,000.00
(b) Issued, subscribed and paid up:		
2,76,42,000 (31st March, 2019: 2,76,42,000) equity shares of 10 each	**2,764.20**	2,764.20
	2,764.20	2,764.20

(c) Reconciliation of the shares outstanding at the beginning and at the end of the year:

	No. of shares	₹ in Lakhs	As at 31-3-2019 No. of shares	As at 31-3-2019 ₹ in Lakhs
As at the beginning of the year	**2,76,42,000**	**2,764.20**	2,76,42,000	2,764.20
As at the end of the year	**2,76,42,000**	**2,764.20**	2,76,42,000	2,764.20

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

	No. of shares	% of Holding	As at 31-3-2019 No. of shares	As at 31-3-2019 % of Holding
Equity shares of ₹ 10 each fully paid				
Voltas Limited (holding company)	**2,76,42,000**	**100%**	2,76,42,000	100%

(e) Terms / rights attached to equity shares:

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 held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders at the ensuing Annual General Meeting, except in case of interim dividend which is paid as and when declared by the Board of Directors. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

11. OTHER EQUITY

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
General Reserve		
Balance as at the beginning of the year	**3,500.00**	2,775.00
Add : Transfer from Retained Earnings	**—**	725.00
Balance as at the end of the year	**3,500.00**	3,500.00
Retained Earnings		
Balance as at the beginning of the year	**21,344.22**	23,080.88
Add : Profit for the year	**7,861.69**	4,820.60
Less : Transferred to General Reserve	**—**	(725.00)
Actuarial remeasurement (loss) / gain for the year through OCI	**(2.31)**	(0.58)
Dividend paid	**(4,837.35)**	(4,837.35)
Dividend Distribution tax	**(994.33)**	(994.33)
Balance as at the end of the year	**23,371.92**	21,344.22
Total other equity	**26,871.92**	24,844.22

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 or loss.

(b) Retained Earnings

The balance in the Retained Earnings primarily represents the surplus after payment of dividend (including tax on dividend) and transfer to reserve.

Distribution made and proposed

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Final dividend for the year ended 31st March, 2019: 17.50 per share (31st March, 2018: 17.50 per share)	**4,837.35**	4,837.35
Dividend Distribution Tax on final dividend	**994.33**	994.33
	5,831.68	5,831.68
Proposed dividends on Equity shares		
Final dividend for the year ended 31st March, 2020: 17.50 per share (31st March, 2019: 17.50 per share)	**4,837.35**	4,837.35
Dividend Distribution Tax on proposed dividend	**—**	994.33
	4,837.35	5,831.68

12. PROVISIONS

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
(A) Non-current		
Provision for Gratuity (Refer Note 31)	**30.97**	23.46
(B) Current		
Provision for Compensated absences	**7.33**	5.69

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

13. OTHER NON-CURRENT LIABILITIES

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Deferred Government Grant	**660.36**	—

Note: Government grants have been received for the purchase of certain items of property, plant and equipment.There are no unfulfilled conditions or contingencies attached to these grants.

14. TRADE PAYABLES

	₹ in Lakhs	2018-19 ₹ in Lakhs
Trade payables :		
(i) Total outstanding dues of micro and small enterprises	**487.39**	1,369.76
(ii) Total outstanding dues of creditors other than micro and small enterprises	**23,088.39**	15,252.32
	23,575.78	16,622.08

Note:

(i) Trade payables are non-interest bearing and are normally settled on 30 days to 120 days credit term.

(Ii) Disclosures under Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006 :

		₹ in Lakhs	2018-19 ₹ in Lakhs
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year.	**487.39**	1,369.76
(ii)	Interest due thereon remaining unpaid to any supplier as at the end of the accounting year.	—	—
(iii)	The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day.	—	—
(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)	The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid.	—	—

15. OTHER FINANCIAL LIABILITIES

	₹ in Lakhs	2018-19 ₹ in Lakhs
Current		
Rebate to customers	**115.17**	215.06
Security deposit from customer	**5.00**	5.00
	120.17	220.06

16. OTHER CURRENT LIBILITIES

	₹ in Lakhs	2018-19 ₹ in Lakhs
Statutory dues	**435.29**	1,264.09
Deferred Government Grant	**74.18**	—
	509.47	1,264.09

17. REVENUE FROM OPERATIONS

	₹ in Lakhs	2018-19 ₹ in Lakhs
Revenue from contracts with customers		
- Sale of products and spare parts (refer Note below)	**1,24,181.73**	92,394.43
Other operating revenue		
- Scrap sales	**63.81**	30.73
- Government Grant	**17.25**	45.52
	81.06	76.25
	1,24,262.79	92,470.68

Note:

	₹ in Lakhs	2018-19 ₹ in Lakhs
(A) Disaggregated revenue information		
Disaggregation of the Company's revenue from contracts with customers are as follows:		
- Sale of Room Air Conditioners	**1,07,448.66**	87,529.59
- Sale of spare parts	**16,733.07**	4,864.84
	1,24,181.73	92,394.43

	₹ in Lakhs	2018-19 ₹ in Lakhs
(B) Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price		
Revenue as per contracted price	**1,24,181.73**	92,394.43
Add/ (Less) : Adjustments	—	—
Revenue from contract with customers	**1,24,181.73**	92,394.43

18. OTHER INCOME

	₹ in Lakhs	2018-19 ₹ in Lakhs
(a) Interest Income		
- On deposits	**0.90**	0.97
(b) Other non-operating income	**0.50**	78.48
	1.40	79.45

19. CHANGES IN INVENTORIES OF FINISHED GOODS

	₹ in Lakhs	2018-19 ₹ in Lakhs
Inventories at the end of the year	**5,703.44**	4,867.33
Inventories at the beginning of the year	**4,867.33**	3,674.94
Net (increase) / decrease in inventories of finished goods	**(836.11)**	(1,192.39)

20. EMPLOYEE BENEFITS EXPENSE

	₹ in Lakhs	2018-19 ₹ in Lakhs
Salaries, wages and bonus	**525.25**	505.83
Contribution to provident and other funds (Refer Note 31)	**9.57**	8.07
Gratuity expenses (unfunded) (Refer Note 31)	**4.93**	4.26
Staff welfare expenses	**24.10**	24.90
	563.85	543.06

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

21. DEPRECIATION AND AMORTISATION EXPENSE

	₹ in Lakhs	2018-19 ₹ in Lakhs
Depreciation of property, plant and equipment	**131.62**	133.55
Amortisation of Right-of-use assets	**2.81**	—
Amortisation of other intangible assets	**0.05**	0.05
	134.48	133.60

22. OTHER EXPENSES

	₹ in Lakhs	2018-19 ₹ in Lakhs
Consumption of stores and spare parts	**114.42**	105.50
Outside service charges	**818.72**	492.99
Power and fuel	**129.10**	108.11
Rent	**327.51**	314.03
Repairs and maintenance - plant and machinery	**74.01**	81.32
Repairs and maintenance - buildings	**2.38**	9.19
Insurance	**54.41**	47.52
Rates and taxes	**5.11**	1.46
Travelling and conveyance	**8.40**	9.64
Printing and stationery	**2.43**	1.45
Freight and forwarding	**453.08**	282.73
Sales commission	**1,410.18**	1,747.23
Payment to auditors (Refer Note 23)	**22.70**	22.49
Legal and professional fees	**12.12**	5.92
Loss on Sale of Fixed Assets (Net)	**25.19**	—
Corporate social responsibility (CSR) (Refer Note 24)	**211.13**	211.10
Miscellaneous expenses	**65.61**	90.59
	3,736.49	3,531.27

23. PAYMENT TO AUDITORS

	₹ in Lakhs	2018-19 ₹ in Lakhs
To Statutory auditors for		
(i) Audit fees (including tax audit fees)	**22.00**	22.00
(ii) Other services	**0.65**	0.40
(iii) Reimbursement of expenses	**0.05**	0.09
	22.70	22.49

24. CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENSES

	₹ in Lakhs	2018-19 ₹ in Lakhs
(a) Gross amount required to be spent by the Company during the year	**204.13**	209.76
(b) Amount actually spent on CSR activities in cash		
(i) Construction / acquisition of any asset	**—**	—
(ii) Others	**211.13**	211.10
	211.13	211.10

25. INCOME TAX

		₹ in Lakhs	2018-19 ₹ in Lakhs
(a)	**Tax expense recognized in Statement of Profit and Loss**		
	Current tax	**2,705.21**	2,686.80
	Deferred tax	**(65.67)**	20.00
	Income tax expense reported in the Statement of Profit and Loss	**2,639.54**	2,706.80
(b)	**Tax expense recognized in OCI**		
	Deferred tax related to items recognised in OCI during the year		
	Remeasurement gains / (losses) on defined benefits plan	**0.78**	0.31
		0.78	0.31
(c)	**Reconciliation of tax expense and the accounting profit**		
	Profit before tax	**10,501.23**	7,527.40
	Statutory tax rate	**25.17%**	34.94%
	Income tax expense at statutory tax rate	**2,642.95**	2,630.07
	Impact of change in tax rate	**(58.46)**	—
	Effect of non-deductible expenses	**55.05**	76.73
	Income tax expense recognized in the Statement of Profit and Loss	**2,639.54**	2,706.80

26. CONTINGENT LIABILITIES

	₹ in Lakhs	2018-19 ₹ in Lakhs
Claims against the Company not acknowledged as debt		
Excise matters	**73.07**	73.07

Note:

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.

27. COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for is 0.80 lakh. (31st March, 2019: 7.68 lakhs).

28. SEGMENT REPORTING

The Company is primarily engaged in the business of manufacturing and sale of room air conditioners in India . As per the Company's Chief Operating Decision Maker ("CODM"), the risks and returns from its sales do not vary materially. Accordingly, there are no other reportable segments as required to be reported under Ind AS 108 - 'Operating Segments.

29. EARNINGS PER SHARE

	₹ in Lakhs	2018-19 ₹ in Lakhs
Profit for the year (in Lakhs)	**7,861.69**	4,820.60
Weighted average number of equity shares	**2,76,42,000**	2,76,42,000
Basic and diluted earnings per share of 10 each (in)	**28.44**	17.44

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

30. RELATED PARTY DISCLOSURES

(a) List of Related Parties and Relationships

A	**Related parties where control exists**	**Relation**
	Voltas Limited	Holding Company
B	**Other Related Parties (Where transactions have taken place during the year or during previous year / balance outstanding**	
	Mr. Mahendra Sharma Ms. Kajal Jangid	Key Management Personnel
	Non Executive Directors Mr. Anil George - Chairman Mr. Pradeep Bakshi Mrs. Sandhya S Kudtarkar	Directors
	Independent Directors Mr. Nani Javeri (upto 3rd July, 2019) Mr. Debendranath Sarangi	
	Tata Teleservices Limited Tata Consultancy Services Limited Tata Capital Financial Services Limited*	Entity under common control

(b) Related Party Transactions
(exclusive of indirect taxes)

₹ in Lakhs

	Holding Company	**Key Management Personnel**	**Directors**	**Entity under common control**
Sale of goods	**92,148.80**	**—**	**—**	**—**
	(69,755.75)	—	—	—
Purchase of goods	**45,794.69**	**—**	**—**	**—**
	(26,204.71)	—	—	—
Dividend paid	**4,837.35**	**—**	**—**	**—**
	(4,837.35)	—	—	—
Sales commission	**1,410.18**	**—**	**—**	**—**
	(1,747.23)	—	—	—
Reimbursement of staff cost and other expenses	**280.08**	**—**	**—**	**—**
	(258.87)	—	—	—
Remuneration	**—**	**88.90**	**—**	**—**
	—	(78.70)	—	—
Rent	**0.57**	**—**	**—**	**—**
	(3.39)	—	—	—
Telephone expenses	**—**	**—**	**—**	**1.13**
	—	—	—	(1.25)
Sale of property, plant and equipment	**0.88**	—	—	—
	—	—	—	—
Purchase of property, plant and equipment	—	—	—	—
	—	—	—	(1.25)
Sitting Fees	**—**	**—**	**4.60**	**—**
	—	—	(5.40)	—

(c) Related Party Balances

	Holding Company	**Key Management Personnel**	**Entity under common control**
Trade Receivables	**39,330.64**	**—**	**—**
	(32,716.22)	—	—

* The Company has an arrangement with Tata Capital Financial Services Limited for vendor bill discounting without recourse to the Company.

(Figures in brackets represent amounts of previous year)

31. EMPLOYEE BENEFITS EXPENSE

(i) Defined Contribution plans

In accordance with The Employees Provident Fund Act, 1952 employees are entitled to receive benefits under the provident fund. Both the employee and the employer make monthly contributions to the plan at a predetermined rate of an employee's salary. These contributions are made to the fund administered and managed by the Government of India (GOI). The Company has no further obligations under the fund managed by the GOI beyond its monthly contributions which are charged to the statement of profit and loss in the period they are incurred. The Company contributed a total of 9.57 lakhs for the year ended 31st March, 2020 (31st March, 2019: 8.07 lakhs) to the defined contribution plan.

(ii) Defined benefit plans

The Company has defined benefit gratuity plan. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Every employee who has completed five years of more services are eligible for gratuity. The level of benefit provided depends on the member's length of service and salary at retirement date. The gratuity plan is unfunded.

The following tables summaries the component of net benefit expenses recognised in the Statement of Profit and Loss, other comprehensive income, the funded status and the amount recognised in the balance sheet for the gratuity plan:

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Amount recognised in Balance Sheet		
Defined benefit obligation	**30.97**	23.46
Plan assets	**—**	—
Net defined benefit obligation	**30.97**	23.46
Amount recognised in Statement of Profit and Loss		
Current service cost	**3.10**	2.78
Net interest expense	**1.83**	1.48
Included in Statement of Profit and Loss	**4.93**	4.26
Amount recognised in Other Comprehensive Income		
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in financial assumptions	**4.12**	0.19
Actuarial (gains) / losses arising from experience adjustments	**(1.04)**	0.70
Included in OCI	**3.08**	0.89
Movements in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**23.46**	18.91
Current service cost	**3.10**	2.78
Interest cost	**1.83**	1.48
Remeasurement (gains)/losses:		
Actuarial (gains) / losses arising from changes in financial assumptions	**4.12**	0.19
Actuarial (gains) / losses arising from experience adjustments	**(1.04)**	0.70
Benefits paid	**(0.50)**	(0.60)
Closing defined benefit obligation	**30.97**	23.46

The principal assumptions used for the purposes of the actuarial valuations were as follows:

		As at 31-3-2019
Discount rate(s)	**6.82%**	7.79%
Expected rate(s) of salary increase	**8.00%**	8.00%
Attrition rate	**2.00%**	2.00%
Retirement age	**60**	58
Mortality Rate	**IALM (2006 - 08)**	IALM (2006 - 08)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

A quantitative sensitivity analysis for significant assumption is as shown below:

As at 31st March, 2020 ₹ in Lakhs

Assumptions	**Discount Rate**		**Future Salary increase**		**Attrition rate**	
Sensitivity Level	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Impact on defined benefit obligations	**(4.23)**	**5.17**	**5.06**	**(4.23)**	**(0.56)**	**0.64**

As at 31st March, 2019 ₹ in Lakhs

Assumptions	Discount Rate		Future Salary increase		Attrition rate	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligations	(2.91)	3.51	3.47	(2.94)	(0.10)	0.11

The average duration of the defined benefit obligation is 17 years as on 31st March, 2020 and 16 years as on 31st March, 2019.

The expected maturity analysis of undiscounted defined benefit obligation is as follows:

		As at 31-3-2019
	₹ in Lakhs	₹ in Lakhs
Within 1 year	**0.55**	0.49
Between 1 and 2 years	**0.59**	0.52
Between 2 and 3 years	**0.66**	0.56
Between 3 and 4 years	**0.71**	0.61
Between 4 and 5 years	**0.76**	4.42
Beyond 5 years	**8.39**	4.43

32. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to safeguard continuity and maintain healthy capital ratios in order to support its business and provide adequate return to shareholders through continuous growth. The Company sets the amount of capital required on the basis of annual business. The funding requirements are met through a mixture of equity, internal accruals.

The Company monitors capital using gearing ratio; being the ratio of net debt as a percentage of total capital employed. The Company is not subject to any externally imposed capital requirements. Net debt are long term and short term debts as reduced by cash and cash equivalents, other bank balances and short term investments. Equity comprises all components including other comprehensive income. The following table summarizes the capital of the Company:

		As at 31-3-2019
	₹ in Lakhs	₹ in Lakhs
Cash and cash equivalents (a)	**160.27**	78.11
Borrowings (b)	**—**	—
Equity	**29,636.12**	27,608.42
Net debt (c = b-a)	**—**	—
Total capital (equity + net debt)	**29,636.12**	27,608.42
Gearing Ratio	**—**	—

33. FINANCIAL INSTRUMENTS

(A) Financial assets and liabilities

The accounting classification of each category of financial instruments, their carrying amounts and the categories of financial assets and liabilities measured at fair value, are set out below:

₹ in Lakhs

Particulars						As at 31-3-2019				
	FVTPL$	**FVTOCI$$**	**Amortized Cost**	**Total Carrying Value**	**Total Fair Value**	FVTPL$	FVTOCI$$	Amortized Cost	Total Carrying Value	Total Fair Value
Financial assets										
Trade receivables	—	—	**39,599.90**	**39,599.90**	**39,599.90**	—	—	32,821.30	32,821.30	32,821.30
Cash and cash equivalents	—	—	**160.27**	**160.27**	**160.27**	—	—	78.11	78.11	78.11
Other financial assets - current	—	—	**592.32**	**592.32**	**592.32**	—	—	662.61	662.61	662.61
Other financial assets - non-current	—	—	**50.37**	**50.37**	**50.37**	—	—	22.90	22.90	22.90
Total financial assets	—	—	**40,402.86**	**40,402.86**	**40,402.86**	—	—	33,584.92	33,584.92	33,584.92
Financial liabilities										
Trade payables	—	—	**23,575.78**	**23,575.78**	**23,575.78**	—	—	16,622.08	16,622.08	16,622.08
Other financial liabilities	—	—	**120.17**	**120.17**	**120.17**	—	—	220.06	220.06	220.06
Total financial liabilities	—	—	**23,695.95**	**23,695.95**	**23,695.95**	—	—	16,842.14	16,842.14	16,842.14

$ - Fair value through profit and loss

$$ - Fair value through other comprehensive income

(B) Financial risk management

The Company's Board approved financial risk policies comprise liquidity, interest rate and counterparty credit and foreign currency risk. The Company does not engage in any speculative treasury activity..

(a) Liquidity risk

The Company requires funds for short-term operational needs. The Company generates sufficient cash flows from the current operations which together with the available cash and cash equivalents provide liquidity. The table below summaries the maturity profile of the Company's financial liabilities based on contractual undiscounted cash obligations.

As at 31st March, 2020 ₹ in Lakhs

Financial liabilities	**<1 year**	**1-2 Years**	**2-5 Years**	**> 5 Years**	**Total**
Trade payables	**23,575.78**	—	—	—	**23,575.78**
Other financial liabilities - Current	**120.17**	—	—	—	**120.17**
	23,695.95	—	—	—	**23,695.95**

As at 31st March, 2019 ₹ in Lakhs

Financial liabilities	<1 year	1-2 Years	2-5 Years	> 5 Years	Total
Trade payables	16,622.08	—	—	—	16,622.08
Other financial liabilities - Current	220.06	—	—	—	220.06
	16,842.14	—	—	—	16,842.14

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

(b) Interest rate risk

The exposure of Company's financial assets and liabilities to interest rate risk is as follows:

As at 31st March, 2020 ₹ in Lakhs

Financial Assets	**Floating Rate Financial Assets**	**Fixed Rate Financial Assets**	**Non Interest Bearing Financial Assets**	**Total Financial Assets**
Other Financial Assets - Non-Current	—	—	**50.37**	**50.37**
Total Financial Assets - Non-Current	—	—	**50.37**	**50.37**
Trade receivables	—	—	**39,599.90**	**39,599.90**
Cash and cash equivalents	—	—	**160.27**	**160.27**
Other financial assets - current	—	—	**592.32**	**592.32**
Total Financial Assets - Current	—	—	**40,352.48**	**40,352.48**

Financial Liabilities	**Floating Rate Financial Liabilities**	**Fixed Rate Financial Liabilities**	**Non Interest Bearing Financial Liabilities**	**Total Financial Liabilities**
Trade payables	—	—	**23,575.78**	**23,575.78**
Other financial liabilities - Current	—	—	**120.17**	**120.17**
Total Financial Liabilities - Current	—	—	**23,695.95**	**23,695.95**

As at 31st March, 2019 ₹ in Lakhs

Financial Assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non Interest Bearing Financial Assets	Total Financial Assets
Other Financial Assets - Non-Current	—	—	22.90	22.90
Total Financial Assets - Non-Current	—	—	22.90	22.90
Trade receivables	—	—	32,821.30	32,821.30
Cash and cash equivalents	—	—	78.11	78.11
Other Financial Assets - Current	—	—	662.61	662.61
Total Financial Assets - Current	—	—	33,562.02	33,562.02

Financial Liabilities	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Non Interest Bearing Financial Liabilities	Total Financial Liabilities
Trade payables	—	—	16,622.08	16,622.08
Other financial liabilities - Current	—	—	220.06	220.06
Total Financial Liabilities - Current	—	—	16,842.14	16,842.14

(c) Counterparty credit risk

Credit risk refers to the risk that 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 is exposed to credit risk from trade receivables, cash and cash equivalents and other financial instruments. The Company attempts to limit the credit risk on cash and cash equivalents by only dealing with reputable banks and financial institutions. None of the Company's cash or cash equivalents are past due or impaired. Regarding trade receivables and other financial assets (both current and non current), there were no indications as at 31st March, 2020 that defaults in payment obligation will occur.

Of the year end trade receivables and other financial assets balances, the following are not considered impaired as at 31st March, 2020 and 31st March, 2019:

		As at 31-3-2019
	₹ in Lakhs	₹ in Lakhs
Not past due	**15,616.75**	33,409.42
Due Less than 1 month	**24,575.47**	74.49
Total	**40,192.22**	33,483.91

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to capital creditors and govermnent grants receivables.

As at the end of the reporting period, the carrying amounts of the material foreign currency denominated monetary assets and liabilities are as follows:.

₹ in Lakhs

Currency	**Liabilities**		**Assets**	
		As at 31-03-2019		As at 31-03-2019
United States Dollar (USD)	**—**	—	583.81	—
Chinese Yuan (CNY)	**102.16**	—	—	—

(e) Foreign currency sensitivity

The following tables demonstrate the sensitivity of outstanding foreign currency denominated monetary items to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Company's Profit before tax is due to changes in the fair value of financial assets and liabilities:

Particulars	**Effect on Profit before tax**	
		As at 31-3-2019
USD +5%	**29.19**	—
USD -5%	**(29.19)**	—
CNY +5%	**5.11**	—
CNY -5%	**(5.11)**	—

34. Amalgamation of the Company with Holding Company

The Board of Directors have approved amalgamation of the Company with Voltas Limited, holding company, with appointed date of 1st April, 2019. The proposed amalgamation is subject to approval of statutory and regulatory authorities.

35. The Company has conducted a comprehensive assessment of the possible impact of the ongoing COVID 19 pandemic on their operations, liquidity position and the consequential impact on the realizability of its asset balances as at 31st March, 2020. Management has assessed that the current lockdown situation will have a short term impact on its operations, considering the seasonality of the business and the likely temporary dampening of demand in the market. Management is aligning its production plan and market strategies accordingly to ensure minimal impact.

Trade receivable amounting to ₹ 39,599.90 lakhs included in the financial assets are carried at amortised cost and are primarily due from parent company. Management estimates that considering the financial position of parent company, there is no risk of non-recoverability of these balances. Inventory amounting to ₹ 11,268.68 lakhs is carried at cost and management expects to liquidate inventory at margin though it may take longer time to liquidate the inventory. Considering the Company's business model and the ongoing amalgamation process as explained in Note 34 to the financial statements, the management does not foresee any significant challenge in meeting its cashflow requirements.

As per our report of even date

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Dolphy D'Souza
Partner
Membership No: 038730
Mumbai, 2nd May, 2020

For and on behalf of the Board of Directors

Chairman	**Anil George**
Director	**Pradeep Kumar Bakshi**
Manager	**Mahendra K. Sharma**
Chief Financial Officer	**Srinivas Raju**
Company Secretary	**Kajal Jangid**

Mumbai, 2nd May, 2020

ROHINI INDUSTRIAL ELECTRICALS LIMITED

Directors:

P. N. Dhume *(Chairman/Director upto 30-09-2019)*
Anil George *(Chairman w.e.f. 1-10-2019)*
Debendranath Sarangi
S. V. Phene
Sandhya S. Kudtarkar

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Thirty-Seventh Annual Report and Audited Financial Statements for the year ended 31st March, 2020.

1. **Financial Results:**

₹ in crores

	2019-20	2018-19
Revenue from operations	**452.99**	542.90
Other income	**0.17**	—
Total expenses	**441.49**	529.48
Profit before Tax	**11.67**	13.42
Tax expense	**3.53**	(29.84)
Profit after Tax	**8.14**	43.26

(i) The Company has reported lower revenue of ₹ 453 crores for the year ended 31st March, 2020 as compared to ₹ 543 crores, last year, partly due to slow pace of execution of ongoing projects, coupled with no booking of Book and Bill orders during the year. Profit Before Tax was also lower at ₹ 12 crores as compared to ₹ 13 crores in the previous year. Net Profit for the year ended 31st March, 2020 was ₹ 8 crores as compared to ₹ 43 crores last year, which also included reversal of Deferred Tax Asset of ₹ 34 crores.

(ii) The pandemic impact of COVID-19 (coronavirus) resulting into nation-wide lockdown from 25th March, 2020 onwards would further impact the performance of the Company in the current year (2020-21) as schedule of work progress at various project sites would get delayed and there would be severe liquidity crisis.

(iii) The transaction between Tata International Limited (TIL) and the Company for acquisition of Solar business of TIL was completed in December 2019 on completion of Condition Precedents as mentioned in the Asset Transfer Agreement dated 17th April, 2019. Accordingly, integration of Solar business has been completed.

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 2019-20.

4. **Number of Board Meetings:**

During the year under review, 5 Board Meetings were held on 26th April, 2019, 23rd July, 2019, 22nd October, 2019, 22nd January, 2020 and 6th March, 2020.

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, Ms. Sandhya Shailesh Kudtarkar retires by rotation and being eligible, offers herself for re-appointment.

Mr. P. N. Dhume, ceased to be a Director of the Company with effect from 1st October, 2019. The Directors place on record their sincere appreciation of the valuable advice, guidance and support given by Mr. P. N. Dhume during his long tenure as Director of the Company. Consequent upon resignation of Mr. P. N. Dhume, Mr. Anil George was appointed as Chairman of the Company with effect from 1st October, 2019.

Mr. Debendranath Sarangi and Mr. S. V. Phene ceased to be Independent Directors upon completion of their term of 5 years on 29th March, 2020. As the Company is a wholly owned subsidiary of Voltas Limited, it is exempted from the requirement of appointing Independent Directors on its Board. However, taking into consideration the skills, experience and knowledge of Mr. Debendranath Sarangi and Mr. S. V. Phene and also their valuable contribution to the Company, the Board of Directors have, at its Meeting held on 6th March, 2020, based on the recommendation of the Nomination & Remuneration Committee, appointed Mr. Debendranath Sarangi and Mr. S. V. Phene as Additional Directors (Non -Executive) of the Company with effect from 30th March, 2020, subject to approval of shareholders at the Thirty-Seventh Annual General Meeting (AGM). Resolutions seeking approval of Members for appointment of Mr. Debendranath Sarangi and Mr. S.V. Phene as Non-Executive Directors, form part of the Notice of AGM of the Company.

Based on recommendation of the Nomination & Remuneration Committee, the Board has appointed Mr. Viral Sarvaiya as 'CFO and KMP' of the Company effective 6th March, 2020 in place of Mr. Sachin Tamhane, who separated from the services of the Company effective 17th February, 2020.

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 26th April, 2019; 23rd July, 2019; 22nd October, 2019 and 22nd January, 2020.

7. **Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee (NRC) comprise Mr. Anil George, Mr. Debendranath Sarangi and Mr. S. V. Phene, Non-Executive Directors of the Company. Mr. Debendranath Sarangi was appointed as the Chairman of NRC effective 22nd October, 2019. During the year under review, 1 NRC Meeting was held on 6th March, 2020.

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. One meeting of CSR Committee was held on 23rd July, 2019. The CSR Committee has formulated the CSR Policy which has been approved and adopted by the Board. In view of accumulated past losses, the Company was not required to spend any amount on CSR in the year 2019-20 and therefore, the Annual Report on CSR is 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 annual Independent Directors Meeting held on 6th March, 2020. The Independent Directors had also evaluated the performance of Non-Executive Directors, including Chairman and the Board as a whole and the feedback was shared with the NRC. The performance of Directors, the Board as a whole and various Committees was reviewed and deliberated at the Board Meeting on 24th April, 2020.

11. Statutory Auditors:

The Members had, at the 34th AGM of the Company held on 28th July, 2017, approved 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 2019-20 does not contain any qualification, reservation and adverse remark. However, they have included a para on 'Emphasis of Matter' and drawn attention to Note 3C of the Financial Statements which deals with the effects of COVID-19 on the operations of the Company.

The Company has conducted a comprehensive assessment of the possible impact of the ongoing COVID-19 on its operations, liquidity position and the consequential impact on the realizability of its asset balances as at 31st March, 2020. Moreover, as Electrical and Solar works have been categorised as Essential activities, no long-term impact on the business of the Company has been perceived. The Company is in the process of resuming operations in discussion and with approval of the concerned authorities.

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 2019-20. 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 2020-21.

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. Extract of the Annual Return:

Pursuant to Sections 92(3) and 134(3)(a) of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return in prescribed Form No. MGT-9 is enclosed as Annexure II to the Directors' Report.

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 2019-20.

18. Particulars of contracts or arrangements with related parties:

All related party transactions during the year 2019-20 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 III.

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, 2020, 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 item of Special Business in the Notice of 37th AGM, the Resolutions incorporated in the Notice and the Explanatory Statement annexed thereto fully indicate the reason for seeking the approval of the shareholders to the proposals. Attention of the shareholders is drawn to these Resolutions.

On behalf of the Board of Directors

Anil George
Chairman

Mumbai, 24th April, 2020

Annexure I

SECRETARIAL AUDIT REPORT

Form No. MR-3

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2020

[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

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 **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, 2020 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, 2020 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.

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 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, the Company has availed facility of ₹ 200 crores from Kotak Mahindra Bank Limited, New Delhi as per the terms and conditions mutually agreed by the Bank and the Company.

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

UDIN: F001176B000163547

N L Bhatia
Managing Partner
FCS No. 1176
CP No. 422

Mumbai, 17th April, 2020

TO

THE MEMBERS OF

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: F001176B000163547

N L Bhatia
Managing Partner
FCS No. 1176
CP No. 422

Mumbai, 17th April, 2020

Annexure II

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2020

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i	CIN	U74210MH1983PLC030705
ii	Registration Date	27th August, 1983
iii	Name of the Company	Rohini Industrial Electricals Limited
iv	Category / Sub-Category of the Company	Company Limited by Shares / Indian Non-Government Company
v	Address of the Registered office and contact details	Voltas House 'A', Dr. Babasaheb Ambedkar Road, Chinchpokli, Mumbai 400 033 Tel.: 022 66656666; Fax: 022 66656311
vi	Whether listed Company	No
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited C-101, 247 Park, LBS Marg, Vikhroli (West), Mumbai 400 083. Tel: 022 49186270, E-mail: rnt.helpdesk@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sr.No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Electrical works contract, installation and erection services	43219	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of Shares Held	Applicable Section
1.	Voltas Limited Voltas House 'A', Dr. Babasaheb Ambedkar Road, Chinchpokli, Mumbai 400 033	L29308MH1954PLC009371	Holding Company	100%	Section 2(46)

IV. SHARE HOLDING PATTERN:

(a) Equity Share Capital Breakup as percentage of Total Equity:

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1-4-2019)				No. of Shares held at the end of the year (As on 31-3-2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian-Bodies corporate	1825782	Nil	1825782	100	1825780	2	1825782	100	0
(2) Foreign	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Shareholding of Promoter	**1825782**	**Nil**	**1825782**	**100**	**1825780**	**2**	**1825782**	**100**	**0**
B. Public Shareholding	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
C. Shares held by Custodian for GDRs & ADRs	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Grand Total (A+B+C)	**1825782**	**Nil**	**1825782**	**100**	**1825780**	**2**	**1825782**	**100**	**0**

(b) Preference Share Capital Breakup as percentage of Total 0.01% Cumulative Redeemable Preference Shares of ₹ 100 each:

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1-4-2019)				No. of Shares held at the end of the year (As on 31-3-2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian Bodies Corporate	0	1,27,00,000	1,27,00,000	100	0	1,27,00,000	1,27,00,000	100	0
(2) Foreign	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Shareholding of Promoter	**0**	**1,27,00,000**	**1,27,00,000**	**100**	**0**	**1,27,00,000**	**1,27,00,000**	**100**	0
B. Public Shareholding	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	**0**	**1,27,00,000**	**1,27,00,000**	**100**	**0**	**1,27,00,000**	**1,27,00,000**	**100**	**0**

(c) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1-4-2019)			Shareholding at the end of the year (As on 31-3-2020)			% Change in Shareholding during the year
		No. of Shares	% of Total Shares of the Company	% of Shares pledged / encumbered to total shares	No. of Shares	% of Total Shares of the Company	% of Shares pledged / encumbered to total shares	
Equity Share Capital – Equity Shares of ₹ 10/- each								
1.	Voltas Limited	1825775	100%	Nil	1825775	100%	Nil	0
2.	Voltas Limited jointly with Pradeep Bakshi	1	—	Nil	1	—	Nil	0
3.	Voltas Limited jointly with Anil George	1	—	Nil	1	—	Nil	0
4.	Voltas Limited jointly with Abhijit Gajendragadkar	1	—	Nil	0	—	Nil	0
5.	Voltas Limited jointly with V. P. Malhotra	1	—	Nil	1	—	Nil	0
6.	Voltas Limited jointly with Utsav Shah	1	—	Nil	0	—	Nil	0
7.	Voltas Limited jointly with Vinod Chandrashekar	1	—	Nil	1	—	Nil	0
8.	Voltas Limited jointly with Rajesh Bhatia	1	—	Nil	1	—	Nil	0
9.	Voltas Limited jointly with Vishal Totla	0	—	Nil	1	—	Nil	0
10.	Voltas Limited jointly with Manish Desai	0	—	Nil	1	—	Nil	0
	Total	**18,25,782**	**100%**	**Nil**	**18,25,782**	**100%**	**Nil**	**0**
Preference Share Capital - 0.01% Cumulative Redeemable Preference Shares of ₹ 100/- each								
1.	Voltas Limited	1,27,00,000	100%	Nil	1,27,00,000	100%	Nil	0
	Total	**1,27,00,000**	**100%**	**Nil**	**1,27,00,000**	**100%**	**Nil**	**0**

(d) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
At the beginning of the year (As on 1-4-2019)					
(i)	Equity Shares of ₹ 10 each	18,25,782	100%	18,25,782	100%
(ii)	0.01% Cumulative Redeemable Preference Shares of ₹ 100 each (CRPS)	1,27,00,000	100%	1,27,00,000	100%
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc)	There is no change in Promoters Shareholding between 1-4-2019 and 31-3-2020			
At the end of the year (As on 31-3-2020)					
(i)	Equity Shares of ₹ 10 each			**18,25,782**	**100%**
(ii)	0.01% Cumulative Redeemable Preference Shares of ₹ 100 each (CRPS)			**1,27,00,000**	**100%**

(e) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): Nil

(f) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
At the beginning of the year (As on 1-4-2019)					
1.	P. N. Dhume	0	0	0	0
2.	Anil George	1*	0	1*	0
3.	Debendranath Sarangi	0	0	0	0
4.	S. V. Phene	0	0	0	0
5.	Sandhya S. Kudtarkar	0	0	0	0
Key Managerial Personnel					
1.	Abhijeet Mukherjee (Manager)	0	0	0	0
2.	Vishal Totla (Company Secretary)	0	0	0	0
3.	Sachin Tamhane (CFO)	0	0	0	0
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.)		Transfer of I share held by Voltas Limited jointly with Abhijit Gajendragadkar to Voltas Limited jointly with Vishal Totla on 23-7-2019.			
At the end of the year (31-3-2020)					
1.	Anil George	1*	0	1*	0
2.	Debendranath Sarangi	0	0	0	0
3.	S. V. Phene	0	0	0	0
4.	Sandhya S. Kudtarkar	0	0	0	0
Key Managerial Personnel					
1.	Abhijeet Mukherjee (Manager)	0	0	0	0
2.	Vishal Totla (Company Secretary)	1*	0	1*	0
3.	Sachin Tamhane (CFO upto 17-2-2020)	0	0	0	0
4.	Viral Sarvaiya (CFO w.e.f. 6-3-2020)	0	0	0	0

* jointly with Voltas Limited

V. INDEBTEDNESS:

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

₹ in crores

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	70.45	—	—	70.45
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	70.45	—	—	70.45

₹ in crores

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Change in Indebtedness during the financial year				
- Addition	—	—	—	—
- Reduction	20.12	—	—	20.12
Net Change	(20.12)	—	—	(20.12)
Indebtedness at the end of the financial year				
(i) Principal Amount	50.00	—	—	50.00
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	0.33	—	—	0.33
Total (i+ii+iii)	**50.33**	**—**	**—**	**50.33**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

₹ in Lakhs

Sl. No.	Particulars of Remuneration	Name of Manager
		Abhijeet Mukherjee
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	32.44
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.37
	(c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	Nil
2.	Stock Option	Nil
3.	Sweat Equity	Nil
4.	Commission - as % of profit - others, specify	Nil
5.	Others – Provident Fund and Superannuation Fund	1.23
	Total	34.04
	Ceiling as per the Act	60.00

B. Remuneration to other Directors: Sitting fees has been paid to Mr. Debendranath Sarangi (₹ 2.20 lakhs), Mr. S. V. Phene (₹ 2.40 lakhs) and Ms. Sandhya. S. Kudtarkar (₹ 1.20 lakhs).

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

₹ in Lakhs

Sl. No.	Particulars of Remuneration	Name of Key Managerial Personnel			
		Sachin Tamhane CFO upto 17-2-2020	Viral Sarvaiya CFO w.e.f 6-3-2020	Vishal Totla Company Secretary	Total Amount
1.	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	23.11	0.92	13.82	37.85
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	Nil	Nil	Nil	Nil
	(c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	Nil	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil	Nil
4.	Commission - as % of profit - others, specify	Nil	Nil	Nil	Nil
5.	Others – Provident Fund and Superannuation Fund	0.69	0.03	0.47	1.19
	Total	23.80	0.95	14.29	39.04

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: Nil

On behalf of the Board of Directors

Anil George
Chairman

Mumbai, 24th April, 2020

Annexure III

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 2019-20.

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, 2020.

   (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 No. 32 of the financial statements for the year ended 31st March, 2020.

   (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, 24th April, 2020

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

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 **Rohini Industrial Electricals Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, 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, 2020, 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.

Emphasis of Matter

We draw attention to Note 3C of the financial statements, which describes the effects of the ongoing pandemic of COVID-19 on the operations of the Company. Our opinion is not modified in respect of this matter.

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 judgement 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section164(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, 2020 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: 038730
UDIN: 20038730AAAAAL2973

Mumbai, April 24, 2020

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 ROHINI INDUSTRIAL ELECTRICALS LIMITED

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

(b) Fixed assets 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, 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 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, 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 Sections 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. The payment of Goods and Services Tax amounting INR 560.05 lakhs for the month of March 2020 shall be paid subsequent to the due date without any interest in accordance to Notification No 31/2020 and 32/2020 dated April 03, 2020 issued by the Government of India, Ministry of Finance (Department of Revenue), Central Board of Indirect Taxes and Customs.

(b) According to the information and explanations given to 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 dues outstanding in respect of Service Tax and Sales Tax on account of disputes are as follows:

Name of Statute	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	725.85	524.05
		Commissioner of Appeals	2005-06 to 2016-17	886.70	822.23
		High Court	2012-13	5.47	5.47
Finance Act, 1994 and service tax Laws	Service Tax	Commissioner of Appeals	2012-13 to 2016-17	52.78	50.15

(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, 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, 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, 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, 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, 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
UDIN: 20038730AAAAAL2973

Mumbai, April 24, 2020

ANNEXURE "2" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF 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 Rohini Industrial Electricals Limited ("the Company") as of March 31, 2020 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, 2020, 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
UDIN: 20038730AAAAAL2973

Mumbai, April 24, 2020

BALANCE SHEET AS AT 31ST MARCH, 2020

	Notes	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
A. ASSETS			
1. NON-CURRENT ASSETS			
(a) Property, plant and equipment	4	**75.19**	94.66
(b) Intangible assets	4	**5.07**	6.01
(c) Financial assets			
Other financial assets	5A	**10.18**	—
(d) Income tax assets (Net)	6	**291.93**	186.63
(e) Deferred tax assets (Net)	7	**3,931.18**	3,965.62
(f) Other non-current assets	8A	**864.65**	847.60
Total non-current assets		**5,178.20**	5,100.52
2. CURRENT ASSETS			
(a) Inventories	9	**105.82**	—
(b) Financial assets			
(i) Trade receivables	10	**10,977.06**	4,214.23
(ii) Cash and cash equivalents	11	**705.20**	1.11
(iii) Other bank balances	12	—	9.66
(iv) Other financial assets	5B	**401.81**	242.22
(c) Contract assets	13	**10,791.53**	20,887.90
(d) Other current assets	8B	**1,515.34**	2,489.66
Total current assets		**24,496.76**	27,844.78
TOTAL ASSETS		**29,674.96**	32,945.30
B. EQUITY AND LIABILITIES			
1. EQUITY			
Equity share capital	14	**182.58**	182.58
Other equity	15	**2,700.12**	1,887.16
Total equity		**2,882.70**	2,069.74
2. LIABILITIES			
NON-CURRENT LIABILITIES			
(a) Financial liabilities			
(i) Non--Current borrowing	16A	**7,920.53**	7,200.52
(b) Provisions	17	**22.48**	11.18
Total non-current liabilities		**7,943.01**	7,211.70
3. CURRENT LIABILITIES			
(a) Financial liabilities			
(i) Current borrowing	16B	**5,032.82**	7,045.04
(ii) Trade payables			
(a) total outstanding dues of micro enterprises and small enterprises		**79.37**	58.97
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		**12,370.11**	16,076.75
(b) Provisions	18	**164.88**	82.99
(c) Other current liabilities	19	**597.62**	363.48
(d) Contract liabilities	20	**604.45**	36.60
Total current liabilities		**18,849.25**	23,663.83
TOTAL EQUITY AND LIABILITIES		**29,674.96**	32,945.30
Significant Accounting Policies	2		

The accompanying notes are an integral part of the 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, 24th April, 2020

For and on behalf of the Board of Directors

Chairman **Anil George**
(DIN: 00590939)
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Viral Sarvaiya**
Company Secretary **Vishal Totla**

Mumbai, 24th April, 2020

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

		Notes	₹ In Lakhs	2018-19 ₹ In Lakhs
1.	**INCOME**			
	(a) Revenue from operations	21	**45,298.73**	54,289.81
	(b) Other income	22	**17.09**	0.56
	TOTAL INCOME		**45,315.82**	54,290.37
2.	**EXPENSES**			
	(a) Cost of jobs and services		**38,184.95**	48,001.63
	(b) Changes in inventory of finished goods	23	**(29.40)**	—
	(c) Employee benefits expense	24	**2,690.85**	1,846.02
	(d) Finance costs	25	**1,563.60**	1,504.68
	(e) Depreciation and amortisation expense	4	**38.03**	25.90
	(f) Other expenses	26	**1,701.03**	1,570.31
	TOTAL EXPENSES		**44,149.06**	52,948.54
3.	**PROFIT BEFORE TAX**		**1,166.76**	**1,341.83**
4.	**TAX EXPENSE**			
	(a) Current tax expense		**318.34**	459.35
	Adjustment related to earlier period		**(1.83)**	(92.59)
	(b) Deferred tax charge/(credit)	35	**36.62**	(3,351.17)
	TOTAL TAX EXPENSE		**353.13**	(2,984.42)
5.	**PROFIT FOR THE YEAR**		**813.63**	4,326.25
6.	**OTHER COMPREHENSIVE INCOME**			
	Items that will not be reclassified to profit or loss:			
	Remeasurement of defined benefit plan (net of income tax effect)		**(0.67)**	(7.65)
7.	**TOTAL OTHER COMPREHENSIVE INCOME (NET OF INCOME TAXES)**		**(0.67)**	(7.65)
8.	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		**812.96**	4,318.60
9.	**EARNINGS PER EQUITY SHARE**	30		
	Basic and Diluted - (₹)		**44.56**	236.95
	Face value per equity share - (₹)		**10.00**	10.00
	Significant Accounting Policies	2		

The accompanying notes are an integral part of the 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
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Mumbai, 24th April, 2020

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Chief Financial Officer **Viral Sarvaiya**
Company Secretary **Vishal Totla**

Mumbai, 24th April, 2020

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

A. Equity share capital

	₹ In Lakhs
Balance as at 31st March, 2018	182.58
Changes in equity share capital	—
Balance as at 31st March, 2019	182.58
Changes in equity share capital	—
Balance as at 31st March, 2020	**182.58**

B. Other equity

₹ In Lakhs

	Notes	Reserves and surplus (refer Note 15)				
		General Reserve	Securities Premium	Retained Earnings	Equity component of liability	Total other equity
Balance as at 31st March, 2018		2,053.76	492.43	(12,077.58)	5,469.26	(4,062.13)
Profit for the year		—	—	4,326.25	—	4,326.25
Other Comprehensive Income for the year		—	—	(7.65)	—	(7.65)
Total Comprehensive Income for the year		—	—	4,318.60	—	4,318.60
Addition in Equity component of liability		—	—	—	2,774.82	2,774.82
Ind AS 115 Transition Impact		—	—	(1,758.58)	—	(1,758.58)
Deferred tax on above impact		—	—	614.45	—	614.45
Balance as at 31st March, 2019		2,053.76	492.43	(8,903.11)	8,244.08	1,887.16
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**	**(8,090.15)**	**8,244.08**	**2,700.12**
Significant accounting policies	2					

The accompanying notes are an integral part of the 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, 24th April, 2020

For and on behalf of the Board of Directors

Chairman **Anil George**
(DIN: 00590939)
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Viral Sarvaiya**
Company Secretary **Vishal Totla**

Mumbai, 24th April, 2020

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2020

		₹ In Lakhs	2018-19 ₹ In Lakhs
A.	**Cash flow from Operating Activities**		
	Profit before tax	**1,166.76**	1,341.83
	Adjustments for:		
	Unclaimed credit balances written back	**(166.43)**	(130.03)
	Interest income	**(17.09)**	(0.56)
	Finance costs	**1,563.60**	1,504.68
	Depreciation and amortisation expenses	**38.03**	25.90
	Expected credit loss for trade receivable and contract assets	**260.16**	387.59
	Allowance for doubtful debts and advances	**12.89**	38.57
	Property, plant and equipment written off	**1.15**	7.25
		2,859.07	3,175.22
	Movements in working capital:		
	Adjustments for (increase)/decrease in operating assets:		
	Trade receivables	**(6,590.45)**	269.29
	Financial assets	**(171.93)**	16.83
	Other current assets (including inventories and contract assets)	**11,717.09**	(14,219.91)
	Adjustments for increase/(decrease) in operating liabilities:		
	Trade payables	**(4,472.97)**	7,192.86
	Provision	**45.81**	58.72
	Other financial liabilities	**—**	(452.01)
	Other current liabilities (including contract liabilities)	**597.39**	275.34
	Cash generated/(utilised) from/(in) operations	**3,984.01**	(3,683.66)
	Income tax paid	**(423.65)**	(577.57)
	Net cash generated/(utilised) from/ (in) operating activities (A)	**3,560.36**	(4,261.24)
B.	**Cash flow from Investing Activities**		
	Purchase of property, plant and equipment	**(17.54)**	(46.65)
	Interest received	**17.09**	0.56
	Net cash generated from / (used in) investing activities (B)	**(0.45)**	(46.09)
C.	**Cash flow from financing activities**		
	Repayment of short-term borrowings	**(12,012.22)**	—
	Proceeds from short-term borrowings	**10,000.00**	4,903.52
	Interest paid	**(843.59)**	(596.29)
	Net cash generated from/(used in) Financing Activities (C)	**(2,855.82)**	4,307.23
	Net increase/decrease in cash and cash equivalents (A+B+C)	**704.09**	(0.10)
	Cash and cash equivalents at the beginning of the year	**1.11**	1.21
	Cash and cash equivalents at the end of the year (refer Note 11)	**705.20**	1.11

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 flow.

(3) The change in liability arising from financing activities is disclosed in Note 16B.

(4) During the 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 in the current year. Therefore, this is considered as a non cash activity (Refer Note 40).

The accompanying notes are an integral part of the 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, 24th April, 2020

For and on behalf of the Board of Directors

Chairman **Anil George**
(DIN: 00590939)
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Viral Sarvaiya**
Company Secretary **Vishal Totla**

Mumbai, 24th April, 2020

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

1A. CORPORATE INFORMATION

Rohini Industrial Electricals Limited (the "Company") is a public limited company incorporated in India. The address of its registered office 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, etc.

During the year, the Company has acquired the Solar business from Tata International Limited with effect from 1st July, 2019 in accordance with terms of the asset transfer agreement.

The financial statements for the year ended 31st March, 2020 were approved by the Board of Directors and authorised for issue on 24th April, 2020.

1B. BASIS OF PREPARATION

The Ind AS financial statements of the Company 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, (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 for details).

The accounting policies adopted for preparation and presentation of financial statement have been consistently applied except for the changes in accounting policy for amendments to the Standard that were issued by MCA, effective for annual period beginning from on or after 1st April, 2019.

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 3A.

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 3A 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 recognised 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, 2020 (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 profit or 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 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 derecognition 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, 2020 (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.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Company has applied Ind AS 116 "Leases" using the modified retrospective method w.e.f. 1st April, 2019 and therefore the comparative information has not been restated and continue to be reported as follows:

Company as a lessee

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

(H) LEASES (contd.)

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

Operating lease payments are recognised as expenditure in the Statement of Profit and Loss on a straight-line basis, unless another basis is more representative of the time pattern of benefits received from the use of the assets taken on lease or the payments of lease rentals are in line with the expected general inflation compensating the lessor for expected inflationary cost. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

(J) PROVISIONS AND CONTINGENCIES (contd.)

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 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

(K) FINANCIAL INSTRUMENTS (contd.)

instruments is recognized and deducted directly in equity. No gain or loss is recognized 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:

  (i) 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/ loss 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.

  (ii) 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

(i) Financial assets and contract assets

The Company assessed the expected credit losses (ECL) 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, ECL are measured at an amount equal to the 12-month 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.

(ii) 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

(L) IMPAIRMENT (contd.)

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.

(M) CASH AND CASH EQUIVALENTS

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

(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 Directors 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 realizable 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:

(R) BUSINESS COMBINATION (contd.)

- 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 Company 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.

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 Company 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 reassessment 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 Company'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) 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

(R) OPERATING CYCLE (contd.)

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.

3A. 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 13.

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 reassessment may result in change in depreciation and amortisation expense in future periods.

3B. CHANGE IN ACCOUNTING POLICY

New and amended standards

The Company applied Ind AS 116 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments apply for the first time for the year ending 31st March, 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, amendments that have been issued but are not yet effective/notified.

Ind AS 116 Leases

Ind AS 116 supersedes Ind AS 17 Leases including its appendices (Appendix C of Ind AS 17 Determining whether an Arrangement contains a Lease, Appendix A of Ind AS 17 Operating Leases-Incentives and Appendix B of Ind AS 17 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Balance Sheet.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is the lessor.

The Company adopted Ind AS 116 effective 1st April, 2019 using the modified retrospective approach by recognising the right-to-use asset and equal amount of lease liability. The Company also elected to use the recognition exemptions for lease contracts 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 lease contracts for which the underlying asset is of low value (low-value assets). The application of Ind AS 116 did not have any significant impact on the financial statements for the year ended 31st March, 2020.

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately,
- The assumptions an entity makes about the examination of tax treatments by taxation authorities,
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates only in India in a complex environment, it assessed whether the Appendix had an impact on its financial statements.

Upon adoption of the Appendix C to Ind AS 12, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The Appendix did not have an impact on the financial statements of the Company.

Amendments to Ind AS 109: Prepayment Features with Negative Compensation

Under Ind AS 109, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement

The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to Ind AS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies Ind AS 109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in Ind AS 109 applies to such long-term interests.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

3B. CHANGE IN ACCOUNTING POLICY (contd.)

The amendments also clarified that, in applying Ind AS 109, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying Ind AS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

Annual Improvements to Ind AS 2018

- **Ind AS 103 Business Combinations**

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st April, 2019. These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

- **Ind AS 111 Joint Arrangements**

  An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in Ind AS 103. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1st April, 2019.

  These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

- **Ind AS 12 Income Taxes**

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

  An entity applies the amendments for annual reporting periods beginning on or after 1st April, 2019.

  Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

- **Ind AS 23 Borrowing Costs**

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1st April, 2019. Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

3C. ESTIMATION OF UNCERTAINTIES RELATING TO THE GLOBAL HEALTH PANDEMIC FROM COVID-19 (COVID-19)

The Company has conducted a comprehensive assessment of the possible impact of the ongoing COVID-19 pandemic on their operations, liquidity position and the consequential impact on the realizability of its asset balances as at 31st March, 2020. Management has assessed that the current lockdown situation and the associated restrictions in mobility of the resources could result in only a temporary delay in the execution of their projects. Based on the Order No 40-3/2020-DM-I(A) dated 16th April, 2020 issued by the Ministry of Home Affairs which has included the activity of laying/erection of power transmission lines under the permitted list of construction activities to commence from 20th April, 2020 onwards, the Company is already in the process of resuming operations in a phased manner in discussion with the concerned authorities.

Revision of cost estimates, recoverability of receivables and contract assets

The Company has revised its cost estimates based on a detailed assessment of the expected delays in the project timelines and any increase in costs have been considered while recognising the Project revenue for the year ended 31st March, 2020. The Company has communicated with its customers their likely inability to meet the contractual timelines due to the impact of the pandemic and invoked contractual clauses relating to force majeure thereby minimising the risk of liquidated damages, etc. on its projects.

Trade receivables and unbilled receivables/contract assets aggregating to ₹ 21,769 lakhs included in the financial assets are carried at amortised cost and provision for allowance is accounted using the expected credit loss model. Management estimates that considering that the Company executes projects which are primarily funded by State/central government funded electricity distribution companies, the credit risk is minimal. However, the possible effects on the pandemic such as delays in certifications and payments owing to the current situation have been factored in the expected credit loss model in light of its business model and relevant contractual terms with its customer.

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, 2018	62.56	7.50	82.61	33.03	185.69	58.39	244.08
Additions	—	8.12	38.53	—	46.65	—	46.65
Disposals/transfer	(15.55)	(3.09)	(16.54)	(14.59)	(49.77)	—	(49.77)
As at 31st March, 2019	47.01	12.53	104.60	18.42	182.57	58.39	240.96
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**
Accumulated Depreciation							
As at 1st April, 2018	24.48	5.17	44.60	31.23	105.48	51.45	156.93
Charge for the year	5.18	1.54	18.10	0.14	24.96	0.94	25.90
Disposals/transfer	(10.23)	(2.85)	(15.58)	(13.84)	(42.51)	—	(42.51)
As at 31st March, 2019	19.43	3.85	47.11	17.54	87.93	52.38	140.32
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**
Net carrying amount as at 31st March, 2019	27.58	8.68	57.49	0.90	94.66	6.01	100.67
Net carrying amount as at 31st March, 2020	**22.98**	**9.41**	**41.93**	**0.86**	**75.19**	**5.07**	**80.26**

Note : The above assets are hypothecated and mortgaged against the secured borrowings of the Company (refer Note 16).

5. Other financial assets (At amortised cost)

		₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
(A)	**Non-current**		
	Deposits (Credit impaired)	**59.56**	60.10
	Less : Impairment allowance (Credit impaired)	**(59.56)**	(60.10)
	Balance held as margin money with bank *	**10.18**	—
		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)	**17.27**	18.04
	Claims receivable from customer	**417.15**	244.45
	Less: Allowance for Other claim receivable	**(32.61)**	(20.27)
		401.81	242.22

Note: The above assets have been pledged as security against bank borrowings, the details relating to which have been described in Note 16.

Footnote:

Claims receivable from customer includes receivable from holding company of ₹ 172.71 lakhs (Previous year : ₹ Nil)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

6. Income tax assets (Net)

		As at 31-3-2019
	₹ in Lakhs	₹ in Lakhs
Advance income tax (Net)	**291.93**	186.63
	291.93	186.63

7. Deferred tax assets (Net)

		As at 31-3-2019
	₹ in Lakhs	₹ in Lakhs
MAT Credit entitlement	**890.77**	570.60
Deferred Tax Assets	**3,040.41**	3,395.02
	3,931.18	3,965.62

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

		As at 31-3-2019
	₹ in Lakhs	₹ in Lakhs
(A) Non-current		
Advance to suppliers	**25.11**	24.32
Advances to employees	**34.54**	34.25
Less : Impairment allowance (Credit impaired)	**(59.65)**	(58.57)
Deposits for tax and other statutory dues	**864.65**	847.60
	864.65	847.60
(B) Current		
Advance to suppliers	**284.06**	51.26
Advances to employees	**11.89**	11.19
Balance with statutory and government authorities	**1,183.56**	2,373.70
Prepaid expenses	**25.16**	51.23
Gratuity (Refer Note 33)	**—**	2.28
Other	**10.67**	—
	1,515.34	2,489.66

Note: The above assets have been pledged as security against bank borrowings, the details relating to which have been described in Note 16.

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

		As at 31-3-2019
	₹ in Lakhs	₹ in Lakhs
(a) Raw material	**76.42**	—
(b) Finished goods	**29.40**	—
	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 16.

10. Trade Receivables (unsecured)

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Trade receivables	**14,800.60**	7,184.56
Less: Impairment allowance	**(3,823.54)**	(2,970.33)
Net Trade Receivables	**10,977.06**	4,214.23

Footnotes:

(1) Trade Receivables - breakup of security details

(i) Trade Receivable - considered good	**12,675.22**	5,717.32
(ii) Trade Receivables - credit impaired	**2,125.38**	1,467.25
	14,800.60	7,184.57
Less : Impairment allowance	**(3,823.54)**	(2,970.33)
	10,977.06	4,214.24

(2) Gross receivable includes receivable from holding company of ₹ 9,324.23 lakhs (Previous year : ₹ 2,850.19 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 16.

11. Cash and Cash equivalents

	₹ in Lakhs	As at 31-3-2019 ₹ in Lakhs
Balances with bank in current account	**705.20**	1.11
	705.20	1.11

12. Other Bank Balances

	₹ In Lakhs	As at 31-3-2019 ₹ in Lakhs
Balance held as margin money with bank	—	9.66
	—	9.66

13. Contract assets (Unsecured)

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
Amount due from customers under construction contracts	**11,137.41**	21,096.37
Less: Impairment allowance	**(345.88)**	(208.47)
	10,791.53	20,887.90

Footnotes:

(1) Contract assets - breakup of secured details

(i) Contract assets - unsecured, considered good	**11,137.41**	21,096.37
(ii) Contract assets - unsecured, credit impaired	—	—
	11,137.41	21,096.37
Less : Impairment allowance	**(345.88)**	(208.47)
	10,791.53	20,887.90

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

13. Contract assets (Unsecured) (contd.)

(2) Gross amount due from customers under construction contracts includes receivable from holding company of ₹ 9,895.39 lakhs (31st March, 2019: ₹ 20,521.15 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.

(4) The Company has used a simplified approach by computing the ECL allowance for trade receivables and contract asset based on a provision matrix and also provided for allowance against specific cases for credit loss. The provision matrix takes into account historical credit loss experience and adjusted with forward looking information and expected delay in collection.

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
(5) Movement in ECL allowance on trade receivable and contract assets		
Balance at the beginning of the year	**3,178.80**	1,036.85
Add: Ind AS 115 Transition Impact	**—**	1,758.58
Add : Addition on account of solar business (refer Note 40)	**730.46**	—
Add : Allowance during the year (refer Note 26)	**260.16**	383.37
Balance at the end of the year	**4,169.42**	3,178.80

(6) Contract assets have been pledged as security against bank borrowings, the details relating to which have been described in Note 16.

14. Equity share capital

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
Authorised Share Capital		
50,00,000 (31st March, 2019 : 50,00,000) equity shares of ₹ 10 each	**500.00**	500.00
	500.00	500.00
Issued, subscribed and paid up shares		
18,25,782 (31st March, 2019 : 18,25,782) equity shares of ₹ 10 each	**182.58**	182.58
	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) 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
As at the end of the year	**18,25,782**	182.58
	As at 31st March, 2019	
As at the beginning of the year	18,25,782	182.58
As at the end of the year	18,25,782	182.58

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

	No. of Shares	% of Holding
Equity shares of ₹ 10 each fully paid		
Voltas Limited (holding company)	**18,25,782**	**100%**
	As at 31st March, 2019	
Equity shares of ₹ 10 each fully paid		
Voltas Limited (holding company)	18,25,782	100%

(iv) As per records of the Company, no calls remained unpaid by the Director and Officers of the Company as on 31st March, 2020 (31st March, 2019 : Nil).

15. Other equity

		₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
(a)	General Reserve	**2,053.76**	2,053.76
(b)	Securities premium	**492.43**	492.43
(c)	Additional capital contribution	**8,244.08**	8,244.08
(d)	Retained earnings	**(8,090.15)**	(8,903.11)
		2,700.12	1,887.16

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 and at the end of the year	**492.43**	492.43
(c)	**Additional capital contribution**		
	Balance at the beginning of the year	**8,244.08**	5,469.26
	Addition during the year	—	2,774.82
	Balance at the end of the year	**8,244.08**	8,244.08
(d)	**Retained earnings**		
	Balance at the beginning of the year	**(8,903.11)**	(12,077.58)
	Net Profit for the year	**813.63**	4,326.25
	Re-measurement of post employment benefit obligation	**(0.67)**	(7.65)
	Ind AS 115 Transition Impact	—	(1,758.58)
	Deferred tax on above impact	—	614.45
	Balance at the end of the year	**(8,090.15)**	(8,903.11)

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 or 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

(c) Additional capital contribution

The Company has 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. The liability is accounted at amortised cost and the difference between the liability and the amortised cost amounting to ₹ 5,469.26 lakhs is included as additional capital contribution and disclosed under "Other Equity".

During the previous year, the Company, with the approval of preference shareholders, modified a portion of CRPS which were due for redemption on 29th March, 2019 and 1st October, 2020 amounting ₹ 2,500 lakhs and ₹ 3,700 lakhs, respectively and extended the repayment for a further period of 7 years from respective due dates. Accordingly, the difference between the original amortised cost and revised amortised cost amounting to ₹ 2,774.82 lakhs for the portion of CRPS which are extended is included as additional capital contribution during the year and disclosed under "Other Equity".

(d) Retained earnings

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

16. Borrowing (At Amortised cost)

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
(A) Non - Current		
Redeemable preference shares [to holding company - Note (i)]	**7,920.53**	7,200.52
	7,920.53	7,200.52
(B) Current		
Loans repayable on demand from bank - working capital loans from banks [refer Note (ii)]	**5,032.82**	—
Loans repayable on demand from bank - overdrafts [refer Note (ii)]	—	7,045.04
	5,032.82	7,045.04

Footnotes:

(i) Redeemable preference shares

The Company has 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. The liability is accounted at amortised cost and the difference between the liability and the amortised cost amounting to ₹ 5,469.26 lakhs is included as additional capital contribution and disclosed under "Other Equity".

During the previous year, the Company, with the approval of preference shareholders, modified a portion of CRPS which were due for redemption on 29th March, 2019 and 1st October, 2020 amounting ₹ 2,500 lakhs and ₹ 3,700 lakhs, respectively and extended the repayment for a further period of 7 years from respective due dates. Accordingly, the difference between the original amortised cost and revised amortised cost amounting to ₹ 2,774.82 lakhs for the portion of CRPS which are extended is included as additional capital contribution during the year and disclosed under "Other Equity".

(ii) Loans repayable on demand

The Company has obtained the following credit facilities from bank aggregating ₹ 65,000 lakhs (including fund based ₹ 35,000 lakhs and non fund based limits ₹ 30,000 lakhs) (Previous year: fund based ₹ 15,000 lakhs and non fund based limits ₹ 30,000 lakhs) which are repayable on demand.

The credit facilities are utilised to the extent of ₹ 13,245.94 lakhs (fund based ₹ 5,032.82 lakhs and non fund based ₹ 8,213.12 lakhs) (Previous year: fund based ₹ 7,045.04 lakhs and non fund based ₹ 20,196.72 lakhs).

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
Break-up of the facilities		
Overdraft facility from ICICI Bank (Effective interest rate in range of 8.95% to 9.15%)		
Sanction Amounts		
- Fund based	**15,000.00**	15,000.00
- Non-fund based	**30,000.00**	30,000.00

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
Utilised Amounts		
- Fund based	—	7,045.04
- Non-fund based	**8,213.12**	20,196.72
Working capital demand loan facility from Kotak Bank (Effective interest rate in range of 7.75% to 7.95%)		
Sanction Amounts		
- Fund based	**20,000.00**	—
- Non-fund based	—	—
Utilised Amounts		
- Fund based	**5,032.82**	—
- Non-fund based	—	—

Notes:

(a) The above facilities are secured by way 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.

17. Provisions

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
Non-Current		
Provision for compensated absences	**22.48**	11.18
	22.48	11.18

18. Provisions

Current		
Gratuity (refer Note 33)	**20.49**	—
Provision for compensated absences	**4.65**	2.54
Provision for pending sales tax forms	**139.74**	80.45
	164.88	82.99
Footnote:		
Provision for pending sales tax forms		
Opening balance	**80.45**	25.18
Additional provision recognised (refer Note 26)	**63.39**	58.66
Less : Reversal of provision (refer Note 26)	**(4.10)**	(3.39)
Closing balance	**139.74**	80.45

19. Other current liabilities

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
Statutory dues (withholding taxes, GST, etc.)	**596.80**	363.48
Other Current Liabilities	**0.82**	—
	597.62	363.48

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

20. Contract Liabilities

		As at 31-3-2019
	₹ In Lakhs	₹ In Lakhs
Amount due to customers under construction contracts	**560.10**	16.60
Advance received from customers	**44.35**	20.00
	604.45	36.60

Footnote:

(1) Amount due to customers under construction contracts includes amounts to holding company of ₹ 448.33 lakhs (31st March, 2019: Nil) .

21. Revenue from operations

		2018-19
	₹ In Lakhs	₹ In Lakhs
(a) Revenue from Contracts with customers		
Construction contract revenue	**45,124.37**	54,159.78
(b) Other operating revenue		
Unclaimed credit balances written back	**166.43**	130.03
Sale of scrap	**7.93**	—
	45,298.73	54,289.81

22. Other income

		2018-19
	₹ In Lakhs	₹ In Lakhs
Interest Income on		
Income tax refund	**16.49**	0.02
On deposits with banks	**0.60**	0.54
	17.09	0.56

23. Changes in inventory of finished goods

		2018-19
	₹ In Lakhs	₹ In Lakhs
Finished goods at the end of the year (refer Note 9 and Note 40)	**29.40**	—
Finished goods at the beginning of the year	**—**	—
	(29.40)	—

24. Employee benefits expense

		2018-19
	₹ In Lakhs	₹ In Lakhs
Salaries, wages and bonus	**2,529.01**	1,744.14
Company's contribution to provident and other funds	**84.76**	49.69
Gratuity Expense (refer Note 33)	**16.38**	6.36
Staff welfare expenses	**60.70**	45.83
	2,690.85	1,846.02

25. Finance costs

		2018-19
	₹ In Lakhs	₹ In Lakhs
Interest expense on preference shares	**720.01**	908.39
Interest expense - bank borrowings and others	**843.59**	596.29
	1,563.60	1,504.68

26. Other expenses

	₹ **In Lakhs**	2018-19 ₹ In Lakhs
Outside service charges	**340.81**	247.48
Travelling and conveyance	**124.55**	89.94
Insurance charges	**59.47**	45.45
Rates and taxes	**23.14**	43.43
Rent	**188.87**	152.35
Printing and stationery	**25.03**	18.87
Legal and professional charges	**66.32**	60.77
Payment to statutory auditors (refer Note 27)	**25.43**	19.91
Power and fuel	**20.63**	16.78
Advances written off	**—**	4.22
Expected credit loss for trade receivable and contract assets (refer Note 13)	**260.16**	383.37
Allowance for doubtful debts and advances	**12.89**	38.57
Property, plant and equipment written off	**1.15**	7.25
Hire charges	**310.92**	239.81
Provision for pending sales tax forms (refer Note 18)	**59.29**	55.27
Bank charges	**57.32**	67.69
Miscellaneous expenses	**125.05**	79.15
	1,701.03	1,570.31

27. Payment to auditors

	₹ **In Lakhs**	2018-190 ₹ In Lakhs
(i) Audit Fees (including tax audit fees)	**23.25**	18.00
(ii) Other services	**0.55**	0.30
(ii) Reimbursement of expenses	**1.63**	1.61
	25.43	19.91

28. Commitments and Contingencies

	₹ **In Lakhs**	As at 31-3-2019 ₹ 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**	111.02
Taxes, Cess and Duties*	**1,670.81**	2,201.19
	1,734.96	2,312.21

*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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

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 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, etc. During the year, the Company has acquired the Solar business from Tata International Limited with effect from 1st July, 2019 in accordance with terms of the asset transfer agreement. The contracts are executed within India and the activities of the Company including the Solar business have been disclosed as a single segment as per Ind AS 108 on 'Segment Reporting'. Accordingly, segment revenue, segment assets and segment liabilties relates to India.

(2) The largest customer of the Company is its holding company. Revenue recognised from contracts with holding company amounts to ₹ 41,801.98 lakhs (Previous year: ₹ 54,333.52 lakhs). The Company does not have significant revenue from any other single counterparty.

30. Earnings Per Share

	₹ In Lakhs	2018-19 ₹ In Lakhs
Profit attributable to equity holders (₹ in Lakhs)	**813.63**	4,326.25
Weighted average number of Equity Shares	**18,25,782**	18,25,782
Basic and Diluted Earnings per share of ₹10 each (in ₹)	**44.56**	236.95

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

		₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
(i)	Principal amount remaining unpaid to any supplier	**79.37**	53.82
(ii)	Interest due on (i) above	**5.15**	0.27
(iii)	The amount of interest paid/adjusted along with the amounts of the payment made to the supplier beyond the appointed day	**5.15**	7.83
(iv)	The amount of interest due and payable for the year	**—**	0.52
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	**—**	12.19
(vi)	Total outstanding dues of Micro, Small and Medium Enterprises		
	- Principal	**79.37**	53.82
	- Interest	—	5.15
		79.37	58.97

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 Power Company Limited	Ultimate parent company has significant influence
v.	Tata International Limited	Subsidiaries and step down Subsidiaries of ultimate parent company

Sl. no.	Party	Relation
vi.	Mr. Abhijeet Mukherjee [Manager] (w.e.f. 1st April, 2019)	Key Managerial person
	Mr. P. Kondal Rao [Manager] (upto 31st March, 2019)	
	Mr. Viral Sarvaiya [Chief Financial Officer] (w.e.f. 6th March, 2020)	
	Mr. Sachin Tamhane [Chief Financial Officer] (upto 17th February, 2020)	
vii.	Mr. Anil George (Chairman)	Non Executive Directors
	Mr. Debendranath Sarangi	
	Mr. Shreeharsha V. Phene	
	Ms. Sandhya Shailesh Kudtarkar	

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	Ultimate parent company has significant influence	Subsidiaries and step down Subsidiaries of ultimate parent company	Non Executive Directors
1	2019-20	Construction contract revenue (against which billed ₹ 52,876 lakhs; Previous year : ₹ 40,619 lakhs)	41,801.98	—	—	77.32	—
	2018-19		54,332.52	—	—	—	—
2	2019-20	Reimbursement/(Recovery) of staff cost (net)* and other expenses #	739.90	—	—	(37.60)	—
	2018-19		908.81	—	5.46	—	—
3	2019-20	Interest expense	720.01	—	—	—	—
	2018-19		908.39	—	—	—	—
4	2019-20	Purchase of property, plant and equipment	—	0.66	—	—	—
	2018-19		—	7.65	—	—	—
5	2019-20	Sitting Fees	—	—	—	—	5.80
	2018-19		—	—	—	—	6.00
6	2019-20	Debit closing balance at the end of the year [refer footnote (iii)]	19,392.33	—	—	—	—
	2018-19		23,371.34	—	—	—	—
7	2019-20	Credit closing balance at the end of the year [refer footnote (iv)]	9,722.71	2.35	—	17.55	—
	2018-19		7,687.32	2.35	—	—	—

* Includes reimbursement of cost related to Key Managerial Personnel (KMP). They have been seconded from the holding company. Therefore, no separate disclosures for KMP have 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

(iii) Debit closing balance at the end of the year includes trade receivables ₹ 9,324.23 lakhs (31st March, 2019: ₹2,850.19 lakhs), other financial assets ₹172.71 lakhs (31st March, 2019: Nil), amount due from customers under construction contracts ₹ 9,895.39 lakhs (31st March, 2019: ₹ 20,521.15 lakhs).

(iv) Credit closing balance at the end of the year includes trade payables ₹ 1,353.85 lakhs (31st March, 2019: 486.80 lakhs), preference shares ₹ 7,920.53 lakhs (31st March, 2019: ₹ 7,200.52 lakhs), amount due to customers under construction contracts ₹ 448.33 lakhs (31st March, 2019: Nil).

(v) The Company has 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 ₹ 84.76 lakhs (for the year ended 31st March, 2019: ₹49.69 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:

		2018-19
Discount rate(s)	**6.59%**	7.48%
Expected rate(s) of salary increase	**6.00%**	8.00%
Attrition rate	**12.00%**	12.00%
Average longevity at retirement age for current beneficiaries of the plan (in years)	*****	*
Average longevity at retirement age for current employees (future beneficiaries of the plan) (in years)	*****	*

* Based on Indian Assured Lives Mortality (2006-08) 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:

	₹ In Lakhs	2018-19 ₹ In Lakhs
Current service cost	**16.55**	5.51
Net interest expense	**(0.17)**	0.85
Components of defined benefit costs recognised in profit or loss	**16.38**	6.36

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

	₹ In Lakhs	2018-19 ₹ In Lakhs
Actuarial (gains) / losses arising from changes in financial assumptions	**(4.30)**	0.35
Actuarial (gains) / losses arising from experience adjustments	**5.14**	8.23
Actual return on plan assets less interest on plan assets	**0.19**	(0.93)
Components of defined benefit costs recognised in other comprehensive income*	**1.03**	7.65

* Net of income tax effect is ₹ 0.67 lakh, which includes tax of ₹ 0.36 lakh

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

	₹ In Lakhs	2018-19 ₹ In Lakhs
Opening defined benefit obligation	**32.60**	25.04
Current service cost	**16.55**	5.51
Interest cost	**2.44**	1.91
Liability transferred in/ acquisitions (refer Note 40)	**5.35**	—
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(4.30)**	0.35
Actuarial (gains)/losses arising from experience adjustments	**5.14**	8.23
Benefits paid	**(8.92)**	(8.44)
Closing defined benefit obligation	**48.86**	32.60

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

	₹ In Lakhs	2018-19 ₹ In Lakhs
Opening fair value of plan assets	**34.88**	13.93
Interest income	**2.60**	1.06
Remeasurement gain/(loss):		
Actual return on plan assets less interest on plan assets	**(0.19)**	0.93
Contributions from the employer	**—**	27.40
Benefits paid	**(8.92)**	(8.44)
Closing fair value of plan assets	**28.37**	34.88

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	2018-19 ₹ In Lakhs
Present value of funded defined benefit obligation at the end of the period	**(48.86)**	(32.60)
Fair value of plan assets at the end of the period	**28.37**	34.88
Net (liability)/asset arising from defined benefit obligation (refer Note 18)	**(20.49)**	2.28

(g) Sensitivity analysis:

	₹ In Lakhs	2018-19 ₹ In Lakhs
Projected Benefit Obligation on Current Assumptions	**48.86**	32.60
Delta effect of +1% change in rate of discounting	**(3.41)**	(1.95)
Delta effect of -1% change in rate of discounting	**3.88**	2.21
Delta effect of +1% change in rate of salary increase	**3.86**	2.18
Delta effect of -1% change in rate of salary increase	**(3.46)**	(1.96)
Delta effect of +1% change in rate of employee turnover	**(0.83)**	(0.60)
Delta effect of -1% change in rate of employee turnover	**0.83**	0.63

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, 2020 is 7 years (as at 31st March, 2019: 7 years). There were no deferred or retired members.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

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

	₹ In Lakhs	2018-19 ₹ In Lakhs
Within 1 year	**2.59**	6.68
Between 1 and 2 years	**2.60**	1.71
Between 2 and 3 years	**2.96**	1.66
Between 3 and 4 years	**6.36**	1.88
Between 4 and 5 years	**5.89**	4.02
Beyond 5 years	**28.47**	16.65

34. Going concern basis

The Company has incurred subtantial amount of losses in the earlier years, as the result of which the retained earnings is negative. The Company is in the revival phase from last two years based on the contracts received and executed by the Company. The financial statements of the Company have been prepared on a going concern basis:

- Based on the holding company's confirmation of continuing support to the Company by way infusion of funds from time to time and
- Expected cash flows and profitability from outstanding orders of more than ₹ 33,600.56 lakhs with the Company as on the reporting date.

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, 2019 and 31st March, 2020

	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
(a) Deferred tax assets	**3,931.18**	3,965.62
Reconciliation of deferred tax assets (net):		
Opening balance	**3,965.62**	—
Tax income/(expense) during the period recognised in profit or loss	**(34.79)**	3,351.17
Deferred tax on Ind AS 115 transition impact	—	614.45
Tax income/(expense) during the period recognised in OCI	**0.36**	—
Closing balance	**3,931.18**	3,965.62

(b) The balance comprise temporary differences attributable to:

(₹ In Lakhs)

	As at 31-3-2019	(Charged)/ credited to reserves	(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	**16.65**
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**

	As at 31-3-2018	(Charged)/ credited to reserves	(Charged)/ credited to statement of profit and loss	(Charged)/ credited to OCI	As at 31-3-2019
Allowance for receivables, loans and advances	—	614.45	545.14	—	1,159.59
Provision for employee benefits	—	—	4.75	—	4.75
Estimated loss on projects	—	—	16.18	—	16.18
Property, plant and equipment and intangible assets	—	—	17.25	—	17.25
Unutilised brought forward loss and unabsorbed depreciation	—	—	2,197.25	—	2,197.25
MAT credit entitlement	—	—	570.60	—	570.60
Deferred Tax Assets	—	614.45	3,351.17	—	3,965.62

Footnotes:

(i) The Company has carried forward business loss, unabsorbed depreciation, total MAT credit entitlement and other duductible 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.

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 31-3-2019 ₹ In Lakhs
(i)	Amounts included in contract liabilities at the beginning of the year	**16.60**	89.97
(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	2018-19 ₹ In Lakhs
	Revenue as per contracted price	**34,547.06**	33,080.01
	Adjustments:		
	Add		
(a)	Unbilled on account of work under certification	**11,137.41**	21,096.37
	Less		
(b)	Billing in excess of contract revenue	**(560.10)**	(16.60)
	Revenue from contract with customers (refer Note 21A)	**45,124.37**	54,159.78

(c) Performance obligation

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31st March, 2020 is of ₹ 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

Gearing Ratio

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

Particulars	Notes	₹ In Lakhs	As at 31-3-2019 ₹ In Lakhs
Debt			
Non-Current Borrowing	16A	**7,920.53**	7,200.52
Current Borrowing	16B	**5,032.82**	7,045.04
Less: Cash and cash equivalents	11	**(705.20)**	(1.11)
Less: Other bank balances	12	**—**	(9.66)
Net debt		**12,248.15**	14,234.80
Equity Share Capital	14	**182.58**	182.58
Other Equity	15	**2,700.12**	1,887.16
Total equity		**2,882.70**	2,069.74
Gearing ratio		**424.88%**	687.76%

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, 2020 and 31st March, 2019.

(B) Fair Value measurements

Financial instruments by category

(₹ In Lakhs)

	Notes	31st March, 2020			31st March, 2019		
		FVTPL	FVOCI	Amortised Cost	FVTPL	FVOCI	Amortised Cost
Financial assets							
Trade receivables	10	—	—	10,977.06	—	—	4,214.23
Cash and cash equivalents	11	—	—	705.20	—	—	1.11
Other bank balances	12	—	—	—	—	—	9.66
Other financial assets							
- Security deposits	5B	—	—	17.27	—	—	18.04
- Claims receivable from customer	5B	—	—	384.54	—	—	224.18
Total financial assets		**—**	**—**	**12,084.07**	—	—	4,467.22
Financial liabilities							
Non-current borrowings	16A	—	—	7,920.53	—	—	7,200.52
Current borrowings	16B	—	—	5,032.82	—	—	7,045.04
Trade payables		—	—	12,449.48	—	—	16,135.73
Total financial liabilities		**—**	**—**	**25,402.83**	—	—	30,381.29

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 trade receivables, cash and cash equivalents and other bank balances and other financial assets that arise directly from its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's risk 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, other bank balances, 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.

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 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.

(ii) Liquidity risk management

Liquidity risk refers to the risk that the Company cannot meet 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, 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	16A	—	—	4,699.02	3,221.51	7,920.53
Current borrowings	16B	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**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

Contractual maturities of financial liabilities (31st March, 2019)	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	16A	—	—	4,271.42	2,929.10	7,200.52
Current borrowings	16B	7,045.04	—	—	—	7,045.04
Trade payables		16,135.76	—	—	—	16,135.76
Total non-derivative liabilities		23,180.80	—	4,271.42	2,929.10	30,381.32

(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.

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**	7,045.04
Fixed rate borrowings	**7,920.53**	7,200.52
Total borrowings	**12,953.35**	14,245.58

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 KMP 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.

Interest Rate Sensitivity	Increase /Decrease in basis Point	Effect on profit before tax	Effect on equity*
For the year ended 31st March, 2020			
INR - Borrowings (excluding preference shares)	**+50**	**(53.96)**	**(53.96)**
	-50	**53.96**	**53.96**
For the year ended 31st March, 2019			
INR - Borrowings	+50	(32.39)	(32.39)
	-50	32.39	32.39

* 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 Cost of jobs and services, Salaries and wages and Other expenses in respect of specific items are as follows: (refer Notes 24 and 26)

(₹ In Lakhs)

Nature of expenses	For the year ended 31-3-2020			
	Cost of jobs and services	Salaries and wages	Other expenses	Total
Salaries and wages	—	**2,690.85**	—	**2,690.85**
	—	(1,846.02)	—	(1,846.02)
Legal and professional expenses	—	—	**66.32**	**66.32**
	—	—	(60.77)	(60.77)
Outside service charges	**24.73**	—	**340.81**	**365.53**
	(3.62)	—	(247.48)	(251.11)
Travelling and conveyance	—	—	**124.55**	**124.55**
	—	—	(89.94)	(89.94)
Printing and stationary	**0.05**	—	**25.03**	**25.08**
	(0.11)	—	(18.87)	(18.98)
Rent Expenses	—	—	**188.87**	**188.87**
	—	—	(152.35)	(152.35)
Insurance Charges	—	—	**59.47**	**59.47**
	—	—	(45.45)	(45.45)
Miscellaneous expenses	**0.39**	—	**125.05**	**125.44**
	(6.67)	—	(79.15)	(85.82)

Figures in brackets are of previous year.

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

(₹ In Lakhs)

	Notes	31-3- 2020		31-3- 2019	
		Within 12 months	After 12 months	Within 12 months	After 12 months
Inventories	9	**105.82**	—	—	—
Trade receivables	10	**10,977.06**	—	4,214.23	—
Cash and bank balances					
Balances with bank in current account	11	**705.20**	—	1.11	—
Balance held as margin money with bank	12	—	—	9.66	—
Other financial assets					
Balance held as margin money with bank	5A	—	**10.18**	—	—
Claims receivable from customer	5B	**384.54**	—	224.18	—
Sundry receivables and deposits	5B	**17.27**	—	18.04	—
Other current assets					
Advance to suppliers	8B	**284.06**	—	51.26	—
Advances to employees	8B	**11.89**	—	11.19	—
Balance with statutory and government authorities	8B	**1,183.56**	—	2,373.70	—
Gratuity	8B	—	—	2.28	—
Prepaid expenses	8B	**25.16**	—	51.23	—
Others	8B	**10.67**	—	—	—
Other non current assets					
Income tax assets (net)	6	—	**291.93**	—	186.63
Deferred tax assets	7	—	**3,931.18**	—	3,965.62
Deposits for tax and other statutory dues	8A	—	**864.65**	—	847.60
Contract assets					
Balance with statutory and government authorities	13	**10,791.53**	—	20,887.90	—
Borrowing					
Current borrowing	16B	**5,032.82**	—	7,045.04	—
Non - current borrowing	16A	—	**7,920.53**	—	7,200.52

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020 (contd.)

(₹ In Lakhs)

	Notes	31-3- 2020		31-3- 2019	
		Within 12 months	**After 12 months**	Within 12 months	After 12 months
Trade payables		**12,449.48**	—	16,135.72	—
Provisions	17/18	**164.88**	**22.48**	82.99	11.18
Other current liabilities					
Statutory dues (withholding taxes, GST etc.)	19	**596.80**	—	363.48	—
Other Current Liabilities	19	**0.82**	—	—	—
Contract Liabilities					
Amount due to customers under construction contracts	20	**560.10**	—	16.60	—
Advance received from customers	20	**44.35**	—	20.00	—

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.

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. Reclassification of previous year figures

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

42. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 24th April, 2020.

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, 24th April, 2020

For and on behalf of the Board of Directors

Chairman **Anil George**
(DIN: 00590939)
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Viral Sarvaiya**
Company Secretary **Vishal Totla**

Mumbai, 24th April, 2020

FOREIGN SUBSIDIARIES

WEATHERMAKER LIMITED

Directors :

A. R. Suresh Kumar *(w.e.f. 30th April, 2019)*

James Edward McKenna *(w.e.f. 25th June, 2019)*

Anil George *(w.e.f. 15th October, 2019)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Twenty Seventh Annual Report and Accounts for the year ended 31st December, 2019.

2. Increased orders for supply of pre-fabricated modules resulted in the Company reporting higher turnover of United Arab Emirates Dirham (AED) 22.094 million for the year ended 31st December, 2019 as compared to AED 19.616 million in the previous year. Net profit was also higher at AED 2.600 million as compared to AED 2.228 million in the previous year.

3. However, in order to conserve the resources, the Directors do not recommend any dividend for the year ended 31st December, 2019 (Previous year: AED 0.750 million).

4. Mr. A. R. Suresh Kumar was appointed as Director of the Company with effect from 30th April, 2019, in place of Mr. Jayant Balan. Mr. James Edward McKenna was appointed as Director of the Company with effect from 25th June, 2019, in place of Mr. Stuart James Foster. Mr. Anil George was appointed as Director of the Company with effect from 15th October, 2019, in place of Mr. P. N. Dhume. Mr. E. C. Prasad also resigned as a Director of the Company with effect from 15th October, 2019. The Directors placed on record their appreciation of the valuable contributions made by Mr. Jayant Balan, Mr. Stuart James Foster, Mr. P. N. Dhume and Mr. E. C. Prasad during their respective tenure on the Board.

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

Directors

A. R. Suresh Kumar
James Edward Mckenna

Dubai, 16th March, 2020

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, 2019, 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, 2019, 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 (draft) 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 comply with the Isle of Man Companies Act, 1931 to 2005.

PKF

United Arab Emirates

Dubai, 17th February, 2020

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2019

	Notes	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	**2,16,708**	1,74,595	**4,208**	3,323
Intangible assets	7	**69,298**	99,180	**1,346**	1,887
		2,86,006	2,73,775	**5,554**	5,210
CURRENT ASSETS					
Inventories	8	**30,78,320**	18,85,087	**59,782**	35,873
Trade and other receivables	9	**1,35,95,530**	1,40,27,408	**2,64,025**	2,66,942
Other current assets	10	**24,89,199**	19,86,733	**48,340**	37,808
Other financial assets	12	**7,22,674**	7,20,247	**14,034**	13,706
Cash and cash equivalents	13	**11,84,848**	10,14,746	**23,010**	19,311
		2,10,70,571	1,96,34,221	**4,09,191**	3,73,640
TOTAL ASSETS		**2,13,56,577**	1,99,07,996	**4,14,745**	3,78,850
EQUITY AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Share capital	14	**15,00,000**	15,00,000	**29,130**	28,545
Retained earnings		**1,49,74,090**	1,31,24,379	**2,90,797**	2,49,757
		1,64,74,090	1,46,24,379	**3,19,927**	2,78,302
NON-CURRENT LIABILITIES					
Provision for staff end-of-service benefits	15	**8,87,046**	8,63,064	**17,226**	16,425
CURRENT LIABILITIES					
Trade and other payables	16	**35,11,068**	38,94,593	**68,185**	74,114
Other current liabilities	17	**4,84,373**	5,25,960	**9,407**	10,009
		39,95,441	44,20,553	**77,592**	84,123
TOTAL LIABILITIES		**48,82,487**	52,83,617	**94,818**	1,00,548
TOTAL EQUITY AND LIABILITIES		**2,13,56,577**	1,99,07,996	**4,14,745**	3,78,850

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 = ₹ 19.42 being the exchange rate prevailing as on 31st December, 2019. Previous year figures have been converted @ 1 AED = ₹ 19.03 being the exchange rate prevailing as on 31st December, 2018.

Directors

A. R. Suresh Kumar
James Edward Mckenna

Dubai, 16th March, 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes		2018		2018
		AED	AED	**₹ in '000s**	₹ in '000s
Revenue	20	**2,20,93,682**	1,96,15,646	**4,24,862**	3,57,986
Cost of sales	21	**(1,77,60,197)**	(1,53,56,265)	**(3,41,529)**	(2,80,252)
Gross Profit		**43,33,485**	42,59,381	**83,333**	77,734
Other operating income	22	**16,19,776**	9,14,705	**31,148**	16,694
Distribution costs	23	**(12,18,372)**	(8,35,819)	**(23,429)**	(15,254)
Administrative expenses	24	**(21,39,269)**	(21,11,283)	**(41,138)**	(38,531)
Interest income	25	**4,091**	778	**79**	14
Profit for the year		**25,99,711**	22,27,762	**49,993**	40,657
Other comprehensive income for the year		**—**	—	**—**	—
Total Comprehensive income for the year		**25,99,711**	22,27,762	**49,993**	40,657

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 = ₹ 19.23 being the average of the exchange rates prevailing as on 31st December, 2018 (1 AED = ₹ 19.03) and as on 31st December, 2019 (1 AED = ₹ 19.42). Previous year figures have been converted @ 1 AED = ₹ 18.25 being the average of the exchange rates prevailing as on 31st December, 2017 (1 AED = ₹ 17.46) and as on 31st December, 2018 (1 AED = ₹ 19.03).

Directors

A. R. Suresh Kumar
James Edward Mckenna

Dubai, 16th March, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Share Capital		**Retained Earnings**		**Total**	
	AED	**₹ in '000s**	**AED**	**₹ in '000s**	**AED**	**₹ in '000s**
Balance at 1st January, 2018	15,00,000	26,190	1,38,96,617	2,42,635	1,53,96,617	2,68,825
Total comprehensive income for the year	—	—	22,27,762	40,657	22,27,762	40,657
Dividend declared and paid during the year	—	—	(30,00,000)	(52,380)	(30,00,000)	(52,380)
Balance at 31st December, 2018	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**

Dividend declared and paid during the year amounting to AED 7,50,000 (₹ 14.273 million) [Previous year: AED 30,00,000 (₹ 52.380 million)] represents dividend per share of AED 1.84 (₹ 34.94) [Previous year: AED 7.35 (₹128.24)].

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Note	**AED**	2018 AED	**₹ in '000s**	2018 ₹ in '000s
Cash flows from operating activities					
Profit for the year		**25,99,711**	22,27,762	**49,993**	40,657
Adjustments for:					
Depreciation of property, plant and equipment		**52,215**	60,589	**1,004**	1,106
Amortisation of intangible assets		**29,882**	29,881	**575**	545
Interest income		**(4,091)**	(778)	**(79)**	(14)
Allowance for expected credit losses		**2,26,078**	22,611	**4,347**	413
Provision against obsolete inventories		—	74,129	—	1,352
Provision for staff end-of-service gratuity		**1,92,763**	1,61,845	**3,707**	2,954
		30,96,558	25,76,039	**59,547**	47,013
Changes in:					
- Inventories		**(11,93,233)**	7,20,738	**(23,937)**	9,508
- Trade and other receivables		**1,39,952**	(24,11,048)	**(2,753)**	(64,077)
- Other current assets		**(5,02,466)**	(17,85,058)	**(10,533)**	(30,953)
- Trade and other payables		**(3,83,525)**	12,18,896	**(5,929)**	27,399
- Other current liabilities		**(41,587)**	(71,829)	**(602)**	(447)
- Contract liabilities		—	(1,41,797)	—	(2,460)
Staff end-of-service gratuity paid		**(1,02,933)**	(78,164)	**(1,979)**	(1,426)
Net cash from operating activities		**10,12,766**	27,777	**19,668**	529
Cash flows from investing activities					
Payments for property, plant and equipment		**(94,328)**	(6,741)	**(1,814)**	(123)
(Increase) / decrease in fixed deposits		**(2,427)**	5,04,765	**(328)**	7,682
Interest received		**4,091**	778	**79**	14
Net cash (used in) / from investing activities		**(92,664)**	4,98,802	**(1,800)**	9,492
Cash flows from financing activities					
Dividend paid		**(7,50,000)**	(30,00,000)	**(14,273)**	(52,380)
Net cash used in financing activities		**(7,50,000)**	(30,00,000)	**(14,565)**	(57,090)
Net increase / (decrease) in cash and cash equivalents		**1,70,102**	(24,73,421)	**3,699**	(41,593)
Cash and cash equivalents at beginning of year		**10,14,746**	34,88,167	**19,311**	60,903
Cash and cash equivalents at end of year	13	**11,84,848**	10,14,746	**23,010**	19,311

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

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. During the year, the activities include manufacturing and trading in duct and ducts accessories. 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 principal place of business 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, 2019 and the requirements of Isle of Man Companies Act, 1931 to 2005.

(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 a 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.

(d) Adoption of new International Financial Reporting Standards

Standards and interpretations effective for the current period

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

- IFRS 16: Leases
- Amendments to IFRS 9: Prepayment features with Negative Compensation and Modification of financial liabilities
- Amendments to IAS 28: Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures.
- Annual Improvements 2015-2017 cycle:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement

  IFRIC 23: Uncertainty over Income Tax Treatments

The impact of adoption of these standards, interpretations and the new accounting policies are explained below in more detail:

IFRS 16: Leases

Impact of adoption

IFRS 16 was issued in January 2016 and 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

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 principals as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

Adoption of IFRS 16 did not have any significant impact on the Company's financial statements.

IFRS 16 accounting policies

The application of the new standard required the management to apply the new accounting policies, which are summarised in note 3 (h) to the financial statements under significant accounting policies.

Other amendments and improvements

The following amendments and improvements, which became effective 1st January, 2019, did not have any significant impact on the Company's financial statements.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation and Modification of financial liabilities
- Amendments to IAS 28: Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures.
- Annual Improvements 2015-2017 cycle:
    - IFRS 3 Business Combinations
    - IFRS 11 Joint Arrangements
    - IAS 12 Income Taxes
    - IAS 23 Borrowing Costs
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement; IFRIC 23: Uncertainty over Income Tax Treatments

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto 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.

- IFRS 17: Insurance Contracts (1st January, 2021)
- Amendments to IFRS 3: Definition of a Business (1st January, 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (1st January, 2020)
- The Conceptual Framework for Financial Reporting (1st January, 2020)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold to an associate or a joint venture (The IASB postponed the effective date of this amendment indefinitely).

(e) Functional and presentation currency

The financial statements are presented in UAE Dirhams ("AED") which is also the 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:

Factory buildings	10 years
Plant, machinery and equipment	6 to 10 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	3 years

(a) Property, plant and equipment (contd.)

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.

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 assets 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 realizable 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 of 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

(f) Revenue (contd.)

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.

  For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. 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) 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.

(h) Leases

As a lessee

The Company leases properties. Rental contracts are typically made annually 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.

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:

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., below AED 18,000 ((₹ 0.346 million). 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) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank current accounts.

(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.

(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, effective from 1st January, 2018, 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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The existing IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale are removed.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Classification

Under IFRS9, 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 depends on the Company's business model for managing the financial assets that whether 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 cash flows that whether 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. Management determines the classification of its investment at initial recognition.

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at FVTPL or at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

(n) Financial Instruments (contd.)

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.

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.

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.

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 of trade and other payables.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than IAS 39.

The financial assets at amortised cost consist of trade and receivables, other current financial assets and cash and cash equivalents.

(n) Financial Instruments (contd.)

Under IFRS 9, 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.

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 realizing 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 measures financial instruments, such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and non-financial assets such as property, plant and equipment, at fair value at each reporting date. The Company also 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

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 and equipment, 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 expected credit loss (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.

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 34,08,573 (₹ 66.194 million) [(Previous year: AED 22,15,340 (₹ 42.158 million)] 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, 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).

Staff end-of-service benefits

The Company computes the provision for the liability to staff end-of-service benefits stated at AED 8,87,046 (₹ 17.226 million) [(Previous year: AED 8,63,064 (₹ 16.424 million)] 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.

6. PROPERTY, PLANT AND EQUIPMENT

	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
Cost										
At 1st January, 2018	9,16,833	16,008	33,91,213	59,211	3,42,886	5,987	3,20,000	5,587	49,70,932	86,793
Additions	—	—	—	—	6,741	123	—	—	6,741	123
At 31st December, 2018	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**
Accumulated depreciation										
At 1st January, 2018	9,11,373	15,913	32,22,413	56,263	3,02,358	5,279	3,06,345	5,349	47,42,489	82,804
Depreciation	1,366	25	27,476	501	20,093	367	11,654	213	60,589	1,106
At 31st December, 2018	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**
Carrying amount										
At 1st January, 2018	5,460	95	1,68,800	2,948	40,528	708	13,655	238	2,28,443	3,989
At 31st December, 2018	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**

Note: Factory Building is constructed on a leasehold land in Jebel Ali, the lease period being fifteen years with a renewal option.

7. INTANGIBLE ASSETS

	Computer software	
	AED	₹ in '000s
Cost		
As at 1st January, 2018	1,69,524	2,960
Additions	—	—
As at 31st December, 2018	1,69,524	3,226
Additions	—	—
As at 31st December, 2019	**1,69,524**	**3,292**
Accumulated amortisation		
As at 1st January, 2018	40,463	707
Amortisation	29,881	545
As at 31st December, 2018	70,344	1,339
Amortisation	29,882	575
As at 31st December, 2019	**1,00,226**	**1,946**
Carrying amount		
As at 1st January, 2018	1,29,061	2,253
As at 31st December, 2018	99,180	1,887
As at 31st December, 2019	**69,298**	**1,346**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
8. INVENTORIES				
Raw materials	**34,00,155**	22,13,546	**66,031**	42,124
Work in progress	**7,346**	642	**143**	12
Finished goods	**1,072**	1,152	**21**	22
	34,08,573	22,15,340	**66,195**	42,158
Less: Provision for slow moving inventories	**(3,30,253)**	(3,30,253)	**(6,413)**	(6,285)
	30,78,320	18,85,087	**59,782**	35,873
A reconciliation of the movements in the provision for slow moving inventories is as follows:				
Balance as at 1st January	**3,30,253**	2,56,124	**6,285**	4,472
Provisions made during the year	**—**	74,129	**—**	1,353
Provision no longer required	**—**	—	**—**	—
Balance as at 31st December	**3,30,253**	3,30,253	**6,413**	6,285

	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	**1,38,61,747**	1,40,42,568	**2,69,195**	2,67,230
Less: Allowance for expected credit losses	**(4,27,923)**	(2,01,845)	**(8,310)**	(3,841)
	1,34,33,824	1,38,40,723	**2,60,885**	2,63,389
Deposits	**1,37,306**	1,23,971	**2,666**	2,359
Other receivables	**24,400**	62,714	**474**	1,194
	1,35,95,530	1,40,27,408	**2,64,025**	2,66,942
A reconciliation of the movements in the allowance for expected credit losses for trade and other receivables accounts is as follows:				
Balance as at 1st January (under IAS 39)	**2,01,845**	2,11,234	**3,841**	3,688
Adjustment for initial application of IFRS 9	**—**	—	**—**	—
Balance as at 1st January (under IFRS 9)	**2,01,845**	2,11,234	**3,841**	3,688
Provisions made during the year	**2,26,078**	22,611	**4,347**	413
Amount written off	**—**	—	**—**	—
Provisions no longer required	**—**	(32,000)	**—**	(584)
At 31st December	**4,27,923**	2,01,845	**8,310**	3,841

The Company holds post-dated cheques amounting to AED 12,27,292 (₹ 23.834 million) [Previous year: AED 14,24,388 (₹ 27.106 million)] as security against past due but not impaired receivables.

	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
10. OTHER CURRENT ASSETS				
Prepayments	**11,79,342**	6,38,634	**22,902**	12,154
Advance for goods and services	**11,02,621**	10,85,815	**21,413**	20,663
VAT receivable (net)	**2,07,236**	2,62,284	**4,025**	4,991
	24,89,199	19,86,733	**48,340**	37,808

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 31-12-2018		As at 31-12-2018
	AED	AED	**₹ in '000s**	₹ in '000s
Trade and other receivables	**66,44,856**	95,25,135	**1,29,043**	1,81,263

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in Note 29.

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

	AED	2018 AED	**₹ in '000s**	2018 ₹ in '000s
Revenue	**62,90,589**	1,02,44,613	**1,20,968**	1,86,964
Expenses charged to related parties	**15,95,487**	12,73,207	**30,681**	23,236
Expenses recharged by related parties	**29,46,457**	22,57,189	**56,660**	41,194
Recharge of staff end-of-service benefits from a related party	—	50,267	—	917
Recharge of staff end-of-service benefits to a related party	**65,848**	—	**1,266**	—
Dividend declared and paid	**7,50,000**	30,00,000	**14,273**	52,380

		As at 31-12-2018		As at 31-12-2018
	AED	AED	**₹ in '000s**	₹ in '000s
12. OTHER FINANCIAL ASSETS				
Fixed deposits (a)	**3,97,674**	3,95,247	**7,722**	7,521
Margin deposits (b) & (c)	**3,25,000**	3,25,000	**6,312**	6,185
Total financial assets at amortised cost	**7,22,674**	7,20,247	**14,034**	13,706

(a) Out of the total deposit, AED 3,75,000 (₹ 7.283 million) [Previous year: AED 3,75,000 (₹ 7.136 million)] is held by bank as security for guarantees issued (Note 30).

(b) Out of the total deposit, AED 25,000 (₹ 0.486 million) [Previous year: AED 25,000 (₹ 0.476 million)] is held by bank as security for guarantees issued (Note 30).

(c) Out of the total deposit, AED 3,00,000 (₹ 5.826 million) [Previous year: AED 3,00,000 (₹ 5.709 million)] is held by bank as security for unutilized letters of credit (Note 30).

		As at 31-12-2018		As at 31-12-2018
	AED	AED	**₹ in '000s**	₹ in '000s
13. CASH AND CASH EQUIVALENTS				
Cash on hand	**2,854**	2,854	**55**	54
Bank Balances :				
- Current accounts	**11,81,994**	10,11,892	**22,955**	19,257
	11,84,848	10,14,746	**23,010**	19,311

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
14. SHARE CAPITAL				
Issued and paid up				
4,08,441 shares of USD 1 each (Previous year: 4,08,441 shares of USD1 each)	**15,00,000**	15,00,000	**29,130**	28,545
Converted at USD 1 = AED 3.6725				

Note : The entire share capital as at 31st December, 2019 is held by Voltas Limited, incorporated in India.

	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
15. PROVISION FOR STAFF END-OF-SERVICE BENEFITS				
At 1st January	**8,63,064**	7,29,116	**16,425**	12,731
Provision for the year	**1,92,763**	1,61,845	**3,707**	2,954
Transfer from a related party	—	50,267	—	917
Paid during the year	**(1,02,933)**	(78,164)	**(1,979)**	(1,426)
Transfer to related party	**(65,848)**	—	**(1,266)**	—
At at 31st December	**8,87,046**	8,63,064	**17,226**	16,425

	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
16. TRADE AND OTHER PAYABLES				
Trade payables	**14,44,449**	26,13,317	**28,051**	49,731
Accruals	**20,56,489**	12,71,146	**39,937**	24,190
Other payables	**10,130**	10,130	**197**	193
	35,11,068	38,94,593	**68,185**	74,114

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

	AED	As at 31-12-2018 AED	₹ in '000s	As at 31-12-2018 ₹ in '000s
17. OTHER CURRENT LIABILITIES				
Employee related accruals	**4,04,851**	5,13,972	**7,863**	9,781
VAT payable	**79, 522**	11,988	**1,544**	228
	4,84,373	5,25,960	**9,407**	10,009

18. DIVIDEND

Dividend declared and paid during the year amount to AED 7,50,000 (₹ 14.273 million) [Previous year: AED 30,00,000 (₹ 52.380 million)] represents a dividend per share of AED 1.84 (₹ 34.94) [Previous year: AED 7.35 (₹ 128.24)].

19. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to ensure that the Company continues as 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

20. REVENUE FROM CONTRACT WITH CUSTOMERS

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

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
Primary Geographical segments				
- UAE	**2,19,85,372**	1,92,61,508	**4,22,779**	3,51,523
- Other Middle East countries	**1,08,310**	3,54,138	**2,083**	6,463
	2,20,93,682	1,96,15,646	**4,24,862**	3,57,986
Major goods/service lines				
Revenue from manufacturing of duct and ducts accessories	**2,20,93,682**	1,96,15,646	**4,24,862**	3,57,986
Timing of revenue recognition				
- At a point of time	**2,20,93,682**	1,96,15,646	**4,24,862**	3,57,986

21. COST OF SALES

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
Materials consumed	**71,26,361**	68,55,378	**1,37,040**	1,25,111
Sub-contract costs	**34,55,199**	25,55,320	**66,443**	46,635
Wages and benefits (Note 26)	**41,80,215**	31,35,087	**80,386**	57,215
Staff end-of-service gratuity	**1,70,233**	98,662	**3,274**	1,801
Depreciation on property, plant and equipment (Note 27)	**42,281**	51,820	**813**	946
Amortisation (Note 28)	**1,018**	1,018	**19**	18
Operating lease expenses	**12,36,432**	15,38,856	**23,777**	28,084
Other direct costs	**15,55,082**	9,87,293	**29,904**	18,018
	1,77,66,821	1,52,23,434	**3,41,656**	2,77,828
Changes in inventory of finished and semi-finished goods	**(6,624)**	1,32,831	**(127)**	2,424
	1,77,60,197	1,53,56,265	**3,41,529**	2,80,252

22. OTHER OPERATING INCOME

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
Scrap sales	**80,899**	58,002	**1,555**	1,059
Miscellaneous income	**15,38,877**	8,56,703	**29,593**	15,635
	16,19,776	9,14,705	**31,148**	16,694

23. DISTRIBUTION COSTS

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
Staff salaries and benefits (Note 26)	**2,86,662**	2,57,610	**5,513**	4,701
Staff end-of-service gratuity	**8,951**	5,140	**172**	94
Other expenses	**9,22,759**	5,73,069	**17,744**	10,459
	12,18,372	8,35,819	**23,429**	15,254

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
24. ADMINISTRATIVE EXPENSES				
Staff salaries and benefits (Note 26)	**10,11,279**	11,91,977	**19,447**	21,753
Staff end-of-service gratuity	**13,579**	58,043	**261**	1,059
Depreciation of property, plant and equipment (Note 27)	**9,934**	8,769	**191**	160
Amortisation (Note 28)	**28,864**	28,863	**555**	527
Provision for impairment of trade receivables	**2,26,078**	22,611	**4,347**	413
Provision for obsolete inventories	—	74,129	—	1,353
Other expenses	**8,49,535**	7,26,891	**16,337**	13,266
	21,39,269	21,11,283	**41,138**	38,531

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
25. INTEREST INCOME				
On bank deposits	**4,091**	778	**79**	14

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
26. STAFF SALARIES AND BENEFITS				
Allocated to cost of sales (Note 21)	**41,80,215**	31,35,087	**80,386**	57,215
Allocated to distribution costs (Note 23)	**2,86,662**	2,57,610	**5,513**	4,701
Allocated to administrative expenses (Note 24)	**10,11,279**	11,91,977	**19,447**	21,753
	54,78,156	45,84,674	**1,05,346**	83,669

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
27. DEPRECIATION				
Allocated to cost of sales (Note 21)	**42,281**	51,820	**813**	946
Allocated to administrative expenses (Note 24)	**9,934**	8,769	**191**	160
	52,215	60,589	**1,004**	1,106

		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
28. AMORTISATION				
Allocated to cost of sales (Note 21)	**1,018**	1,018	**19**	18
Allocated to administrative expenses (Note 24)	**28,864**	28,863	**555**	527
	29,882	29,881	**574**	545

29. FINANCIAL INSTRUMENTS

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

	At Amortised Cost			
		2018		2018
	AED	AED	**₹ in '000s**	₹ in '000s
Financial assets				
Trade and other receivables	**1,35,95,530**	1,40,27,408	**2,64,025**	2,66,941
Cash and cash equivalents	**11,84,848**	10,14,746	**23,010**	19,311
Other financial assets	**7,22,674**	7,20,247	**14,034**	13,706
	1,55,03,052	1,57,62,401	**3,01,069**	2,99,958
Financial liabilities				
Trade and other payables	**35,11,068**	38,94,593	**68,185**	74,114

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 minimized 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, deposits with banks 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 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 situated outside the UAE is as follows:

	AED	2018 AED	**₹ in '000s**	2018 ₹ in '000s
Kingdom of Saudi Arabia	**1,94,867**	1,94,867	**3,784**	3,708
Sultanate of Oman	**31,08,111**	30,97,311	**60,360**	58,942
Bahrain	**6,000**	—	**117**	—
Qatar	**6,744**	—	**131**	—

At the reporting date, 67% of trade receivables were due from three customers (Previous year: 68% 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

29. Financial Instruments (contd.)

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.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables from individual customers as at 31st December, 2019.

At 31st December, 2019	**Loss rate %**	**Gross carrying amount**				**Loss Allowance**				Credit Impaired
		AED	2018 AED	**₹ in '000s**	2018 ₹ in '000s	**AED**	2018 AED	**₹ in '000s**	2018 ₹ in '000s	
Note past due	**0.00%**	**34,84,413**	18,30,677	**67,667**	34,838	—	—	—	—	No
30 - 60 days past due	**10.04%**	**16,29,716**	18,29,181	**31,649**	34,809	**1,63,700**	—	**3,179**	—	No
61 - 90 days past due	**4.12%**	**12,60,306**	19,66,897	**24,475**	37,430	**51,900**	—	**1,008**	—	No
91 - 180 days past due	**0.00%**	**14,15,330**	24,41,355	**27,486**	46,459	**—**	—	—	—	No
181 - above days past due	**3.49%**	**60,71,982**	59,74,458	**1,17,918**	1,13,694	**2,12,323**	2,01,845	**4,123**	3,841	No
		1,38,61,747	1,40,42,568	**2,69,195**	2,67,230	**4,27,923**	2,01,845	**8,310**	3,841	

Loss rates are based on actual credit 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.

Reasonably possible changes to interest rates at the reporting date are unlikely to have had a significant impact on profit or equity.

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

30. CONTINGENT LIABILITIES

	AED	2018 AED	**₹ in '000s**	2018 ₹ in '000s
Bankers' letters of guarantee (Note 12)	**7,00,000**	7,00,000	**13,594**	13,321
Unutilised balances of commercial letters of credit (Note 12)	**20,58,531**	—	**39,977**	—

31. TAXATION

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

32. 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

Dubai, 16th March, 2020

A. R. Suresh Kumar
James Edward Mckenna

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, 2019.

2. The Company reported higher turnover of Saudi Riyals (SR) 21.700 million for the year under review, as compared to SR 12.982 million in the previous year. However, due to increase in fixed overheads and administrative expenses and provisions made for certain doubtful debts, the Company has reported loss of SR 0.797 million as compared to net profit of SR 0.753 million in the previous year.

3. The Company secured new orders worth SR 13.652 million during the year under review and the overall order book position as at 31st December, 2019 was SR 9.650 million.

4. Mr. A. R. Suresh Kumar was appointed as a Member of the Supervisory Board of the Company with effect from 27th March, 2019, in place of Mr. Jayant Balan.

   Mr. P. N. Dhume and Mr. E. C. Prasad resigned from the Supervisory Board of the Company with effect from 15th October, 2019 and 6th November, 2019, respectively. The Director and the Supervisory Board placed on record their appreciation of the valuable contributions made by Mr. Jayant Balan, Mr. P. N. Dhume and Mr. E. C. Prasad, during their respective tenure on the Supervisory Board.

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

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Mohammad Rashid
Director

Jeddah, 4th May, 2020

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, 2019, the statements of profit or loss and other comprehensive income, statement of changes in partners' 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, 2019, 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 that are endorsed by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 incurred a net comprehensive loss of SR 7,97,461 (₹ 15.016 million) during the year ended 31st December, 2019. The Company's current liabilities exceeded its current assets by SR 15,46,946 (₹ 29.423 million) [2018: SR 8,82,494 (₹ 16.441 million)] and the accumulated losses amounting to SR 2,93,77,046 (₹ 558.751 million) [2018: SR 2,85,79,585 (₹ 532.438 million)], 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, 2019, 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 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 (IFRSs for SMEs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed 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 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

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.
Certified Public Accountant

Ahmed Abdulmajeed Mohandis
Certified Public Accountant License No. 477

Jeddah, 4th May, 2020

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2019

ASSETS	Note	SR	As at 31-12-2018 SR	₹ in '000s	As at 31-12-2018 ₹ in '000s
NON-CURRENT ASSETS					
Retentions receivables non-current portion	5	**15,14,316**	16,33,339	**28,802**	30,429
Property and equipment	6	**90,936**	43,356	**1,730**	808
Total non-current assets		**16,05,252**	16,76,695	**30,532**	31,237
CURRENT ASSETS					
Cash and cash equivalents	7	**4,66,922**	91,135	**8,881**	1,698
Trade receivables, net	8	**27,83,392**	21,68,690	**52,940**	40,403
Unbilled revenues, net	9	**33,12,549**	39,54,073	**63,005**	73,664
Retentions receivables current portion	5	**24,69,830**	12,56,221	**46,976**	23,403
Prepayments and other debit balances	10	**3,35,493**	3,14,877	**6,381**	5,866
Total current assets		**93,68,186**	77,84,996	**1,78,183**	1,45,034
TOTAL ASSETS		**1,09,73,438**	94,61,691	**2,08,715**	1,76,271
PARTNERS' EQUITY AND LIABILITIES					
PARTNERS' EQUITY					
Share capital	11	**2,61,50,000**	2,61,50,000	**4,97,373**	4,87,175
Statutory reserve	12	**9,59,649**	9,59,649	**18,253**	17,878
Accumulated losses		**(2,93,77,046)**	(2,85,79,585)	**(5,58,751)**	(5,32,438)
Total partners' equity		**(22,67,397)**	(14,69,936)	**(43,125)**	(27,385)
NON-CURRENT LIABILITIES					
Employees' post-employment benefits	13	**23,25,703**	22,64,137	**44,235**	42,181
Total non-current liabilities		**23,25,703**	22,64,137	**44,235**	42,181
CURRENT LIABILITIES					
Bank borrowings	14	**17,56,195**	15,79,202	**33,403**	29,421
Trade payables		**39,60,301**	20,57,772	**75,324**	38,336
Contract advances		**27,07,609**	6,48,602	**51,499**	12,083
Accrued expenses and other credit balances	15	**9,48,374**	7,75,485	**18,038**	14,447
Due to related parties	16	**15,42,653**	36,06,429	**29,341**	67,188
Income tax payable	17	**—**	—	**—**	—
Total current liabilities		**1,09,15,132**	86,67,490	**2,07,605**	1,61,475
Total liabilities		**1,32,40,835**	1,09,31,627	**2,51,840**	2,03,656
TOTAL PARTNERS' EQUITY AND LIABILITIES		**1,09,73,438**	94,61,691	**2,08,715**	1,76,271

The accompanying notes from 1-29 form an integral part of these financial statements.

Note: The Statement of Financial Position has been converted into Indian Rupees @ 1 Saudi Riyal (SR) = ₹ 19.02 being the exchange rate prevailing as on 31st December, 2019. Previous year figures have been converted @ 1 SR = ₹ 18.63 being the exchange rate prevailing as on 31st December, 2018.

Jeddah, 4th May, 2020 *Director* **Mohammad Rashid**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Note	SR	2018 SR	₹ in '000s	2018 ₹ in '000s
Contract revenues		**2,17,00,187**	1,29,81,862	**4,08,615**	2,31,986
Contract costs	18	**(1,90,30,169)**	(1,02,20,129)	**(3,58,338)**	(1,82,634)
Gross profit		**26,70,018**	27,61,733	**50,277**	49,352
General and administrative expenses	19	**(33,60,942)**	(21,65,142)	**(63,287)**	(38,691)
Operating (loss) / profit		**(6,90,924)**	5,96,591	**(13,010)**	10,661
Finance costs		**(5,910)**	(23,454)	**(111)**	(419)
Other income	20	**2,242**	1,16,978	**42**	2,090
Net (loss)/profit before income tax		**(6,94,592)**	6,90,115	**(13,079)**	12,332
Income tax	17	—	—	—	—
NET (LOSS)/PROFIT FOR THE YEAR		**(6,94,592)**	6,90,115	**(13,079)**	12,332
OTHER COMPREHENSIVE INCOME					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Re-measurement (loss) / gain on defined benefit obligation	13	**(1,02,869)**	62,823	**(1,937)**	1,123
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(7,97,461)**	7,52,938	**(15,016)**	13,455

The accompanying notes from 1-29 form an integral part of these financial statements.

Note: The Statement of Profit or Loss has 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). Previous year figures have been converted into Indian Rupees @ 1 SR = ₹ 17.87 being the average of the exchange rates prevailing as on 31st December, 2017 (1 SR = ₹ 17.10) and as on 31st December, 2018 (1 SR = ₹ 18.63)

Jeddah, 4th May, 2020 *Director* **Mohammad Rashid**

STATEMENT OF CHANGES IN PARTNERS' EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Share Capital		**Statutory Reserve**		**Accumulated Losses**		**Total**	
	SR	**₹ in '000s**	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**
Balance as at 1st January, 2018	2,61,50,000	4,47,165	9,59,649	16,410	(2,93,32,523)	(5,01,586)	(22,22,874)	(38,011)
Net profit for the year	—	—	—	—	6,90,115	12,332	6,90,115	12,332
Re-measurement gain on defined benefit obligation	—	—	—	—	62,823	1,123	62,823	1,123
Balance as at 31st December, 2018	2,61,50,000	4,87,175	9,59,649	17,878	(2,85,79,585)	(5,32,438)	(14,69,936)	(27,385)
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 defined benefit obligation	—	—	—	—	(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)**

The accompanying notes from 1-29 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2019

		2018		2018
	SR	SR	**₹ in '000s**	₹ in '000s
OPERATING ACTIVITIES				
Net (loss) / profit before income tax	**(6,94,592)**	6,90,115	**(13,079)**	12,332
Adjustments for:				
Depreciation	**20,678**	11,121	**389**	199
Allowance for doubtful debts	**1,62,484**	—	**3,060**	—
Allowance for unbilled revenue	**4,84,411**	—	**9,121**	—
Employees' post-employment benefits	**1,98,412**	2,21,707	**3,737**	3,963
Finance costs	**5,910**	23,454	**111**	419
	1,77,303	9,46,397	**3,339**	16,913
Changes in operating assets and liabilities:				
Trade receivable, net	**(7,77,186)**	4,19,378	**(15,628)**	3,853
Retentions receivable	**(10,94,586)**	(5,00,069)	**(21,946)**	(12,972)
Prepayments and other debit balances	**(20,616)**	(7,833)	**(515)**	(616)
Unbilled revenues, net	**1,57,113**	(3,55,017)	**1,446**	(12,120)
Due to related parties	**(20,63,776)**	(5,33,159)	**(37,847)**	(3,599)
Account payables	**19,02,529**	(12,76,641)	**36,989**	(18,682)
Accrued expenses and other credit balances	**1,72,889**	1,83,570	**3,591**	4,326
Contract advances	**20,59,007**	4,20,906	**39,415**	8,190
Cash from operations	**5,12,677**	(7,02,468)	**9,751**	(13,087)
Finance costs paid	**(5,910)**	(23,454)	**(111)**	(419)
Employees' post-employment benefits paid	**(2,39,715)**	(10,13,890)	**(4,514)**	(18,118)
Net cash flows generated from / (used in) operating activities	**2,67,052**	(17,39,812)	**5,079**	(32,413)
INVESTING ACTIVITIES				
Purchase of property and equipment	**(68,258)**	(3,415)	**(1,285)**	(61)
Net cash flows used in investing activities	**(68,258)**	(3,415)	**(1,298)**	(64)
FINANCING ACTIVITIES				
Bank borrowings	**1,76,993**	15,79,202	**3,982**	29,421
Net cash flows generated from financing activities	**1,76,993**	15,79,202	**3,366**	29,421
Net change in cash and cash equivalents	**3,75,787**	(1,64,025)	**7,183**	(2,665)
Cash and cash equivalents, at beginning of the year	**91,135**	2,55,160	**1,698**	4,363
Cash and cash equivalents, at end of the year	**4,66,922**	91,135	**8,881**	1,698

The accompanying notes from 1-29 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

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 Jumadil 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 FZE, 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 FZE 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 FZE 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 of Certified Public 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 employee 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 POLICIES

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 of 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 recognized 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 recognized in the statement of income when the liabilities are derecognized 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

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%
Porta cabins	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, plant 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 costs 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 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 Certified Public 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, 2018, 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 judgments, 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 recognised in the financial statements.

Long-service payments

In determining the liability for long-service payments (explained in Note 12), 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, 2019 (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.

		2018		2018
	SR	SR	**₹ in '000s**	₹ in '000s
Retention receivables	**39,84,146**	28,89,560	**75,778**	53,832
Less: Current portion	**(24,69,830)**	(12,56,221)	**(46,976)**	(23,403)
Non-current portion	**15,14,316**	16,33,339	**28,802**	30,429

The impact of discounting the non-current retentions receivable to be presented at their fair value as on 31st December, 2019 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, 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

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, 2018	5,41,709	9,263	3,72,614	6,372	9,34,639	15,982	1,45,500	2,488	55,630	951	20,50,092	35,056
Additions	—	—	—	—	3,415	61	—	—	—	—	3,415	61
31st December, 2018	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
Depreciation												
1st January, 2018	5,28,254	9,033	3,72,614	6,372	8,97,032	15,339	1,45,500	2,488	55,630	951	19,99,030	34,183
Depreciation for the year	5,824	104	—	—	5,297	95	—	—	—	—	11,121	199
31st December, 2018	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
Net book value												
As of 31st December, 2018	7,631	142	—	—	35,725	666	—	—	—	—	43,356	808
As at 31st December, 2017	13,455	230	—	—	37,607	643	—	—	—	—	51,062	873

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 31-12-2018 SR	**₹ in '000s**	As at 31-12-2018 ₹ in '000s
Cash and bank balances	**4,66,922**	91,135	**8,881**	1,698

8. TRADE RECEIVABLES, NET

	SR	As at 31-12-2018 SR	**₹ in '000s**	As at 31-12-2018 ₹ in '000s
Accounts receivable	**29,45,876**	21,68,690	**56,030**	40,403
Allowance for doubtful debts	**(1,62,484)***	—	**(3,090)**	—
	27,83,392	21,68,690	**52,940**	40,403

The following provision movement during the year is as follows:

	SR	As at 31-12-2018 SR	**₹ in '000s**	As at 31-12-2018 ₹ in '000s
Balance at the beginning of the year	—	—	—	—
Charge for the year	**1,62,484**	—	**3,060**	—
Balance at the ending of the year	**1,62,484**	—	**3,090**	—

*The Company has an outstanding balance amounted to SR 12,51,721 (₹ 23.320 million) for one of the customers representing SR 10,43,597 (₹ 19.442 million) retention balance and SR 2,08,124 (₹ 3.877 million) receivable balance and the Company filed the case in the Commercial Court on 2nd October, 2017, and subsequently on date 31st October, 2019, the judge appointed a liquidator for that customer. The Management is of the opinion that the outstanding balance will be recovered in due course and hence provision is not required at present and in case of default of collection, the holding company will be responsible for the outstanding balance and thus is case of default.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

9. AMOUNTS DUE FROM CUSTOMERS UNDER CONSTRUCTION CONTRACT

		2018		2018
	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	**3,98,73,534**	2,87,85,054	**7,58,395**	5,36,266
Less: Progress billings	**(3,60,76,574)**	(2,48,30,981)	**(6,86,176)**	(4,62,602)
	37,96,960	39,54,073	**72,218**	73,664
Less: Provision for unbilled revenue	**(4,84,411)**	—	**(9,213)**	—
Unbilled revenue, net	**33,12,549**	39,54,073	**63,005**	73,664
Recognized and included in the financial statements as amount due:				
From customers under construction contracts - unbilled revenue	**33,12,549**	**39,54,073**	**63,005**	73,664

10. PREPAYMENTS AND OTHER DEBIT BALANCES

	SR	As at 31-12-2018 SR	**₹ in '000s**	As at 31-12-2018 ₹ in '000s
Advance to suppliers	**1,03,914**	99,350	**1,977**	1,851
Employees custody	**43,918**	28,654	**835**	534
Prepaid expenses	**1,83,661**	1,84,863	**3,493**	3,444
Others	**4,000**	2,010	**76**	37
	3,35,493	3,14,877	**6,381**	5,866

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	4,59,067
Voltas Netherlands B.V.	10,140	10,000	20,140	100	8%	20,14,000	38,306
Total	**26,000**	**2,35,500**	**2,61,500**	**100**	**100%**	**2,61,50,000**	**4,97,373**

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

		2018		2018
	SR	SR	**₹ in '000s**	₹ in '000s
Present value of the defined benefit obligation opening balance	**22,64,137**	31,19,143	**42,181**	53,337
Service cost				
- Current service cost	**1,01,515**	1,49,872	**1,912**	2,678
- Past service cost	—	—	—	—
- Losses on settlement	—	—	—	—
Interest on defined benefit obligations	**96,897**	71,835	**1,825**	1,284
Benefits paid during the period	**(2,39,715)**	(10,13,890)	**(4,514)**	(18,118)
Re-measurement loss / (gain) on defined benefit obligation	**1,02,869**	(62,823)	**1,937**	(1,123)
Present value of the defined benefit obligation closing balance	**23,25,703**	22,64,137	**44,235**	42,181

Below are the significant assumptions

	31-12-2019	31-12-2018
Discount rate for year-end obligation (% per annum)	**2.25%**	3.60%
Rate of change in salary (% per annum)	**2.50%**	3.00%
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.

	SR	SR	**₹ in '000s**	₹ in '000s
Discount rate +1%	**22,06,329**	21,71,900	**41,545**	38,812
Discount rate -1%	**24,63,268**	23,66,090	**46,383**	42,282
Long term salary +1%	**24,61,483**	23,65,677	**46,350**	42,275
Long term salary -1%	**22,05,507**	21,70,523	**41,530**	38,787

14. BANK BORROWINGS

Dated 5th August, 2018, the Company had credit facilities from a bank amounting to SR 1,00,00,000 (₹ 190.200 million) in aggregate and segregated into Letter of credit limit of SR 50,00,000 (₹ 95.100 million) and Letter of guarantees of SR 30,00,000 (₹ 57.060 million) and Overdraft limit of SR 20,00,000 (₹ 38.040 million) 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, 2019 amount to SR 17,56,195 (₹ 33.403 million) [2018: SR 15,79,202 (₹ 29.421 million)].

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

15. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	SR	2018 SR	₹ in '000s	2018 ₹ in '000s
Salaries and other benefits	**5,17,372**	3,89,163	**9,840**	7,250
Value added tax payable	**70,989**	25,008	**1,350**	466
Other liabilities	**3,60,013**	3,61,314	**6,848**	6,731
	9,48,374	7,75,485	**18,038**	14,447

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 Weathermaker Factory L.L.C.	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	2018 SR	₹ in '000s	2018 ₹ in '000s
Purchases of materials and services	**2,77,485**	—	**5,225**	—
Expenses reimbursed to affiliates	**78,147**	72,792	**1,472**	1,301
Expenses incurred on behalf of affiliates	**4,21,397**	—	**7,935**	—
Current account from partners	—	867	—	16

Due to related parties as of 31st December comprised of the following:

	SR	2018 SR	₹ in '000s	2018 ₹ in '000s
Olayan Voltas Contracting Company Ltd	**2,10,504**	25,72,248	**4,004**	47,921
Weathermaker Limited	**1,96,028**	1,96,027	**3,728**	3,652
Voltas Limited - India	**2,06,000**	2,01,000	**3,918**	3,745
Voltas Limited – U.A.E.	**4,30,993**	3,62,548	**8,198**	6,754
Universal Voltas L.L.C.	**2,71,517**	2,74,606	**5,164**	5,116
Lalbuksh Voltas Engineering Services & Trading L.L.C.	**2,27,611**	—	**4,329**	—
	15,42,653	36,06,429	**29,341**	67,188

17. INCOME TAX PAYABLE

Tax calculations as follow:		2018		2018
	SR	SR	**₹ in '000s**	₹ in '000s
Adjustment for net income				
Net income for the year	**(6,94,592)**	6,90,115	**(13,079)**	12,332
Provision end-of-service benefits	**1,98,412**	2,21,707	**3,737**	3,963
Difference in depreciation	**(28,007)**	(11,121)	**(527)**	(199)
Adjusted net income	**(5,24,187)**	9,00,701	**(9,870)**	16,096
Less:				
Accumulated losses not to exceed 25% of net income for the year	—	—	—	—
End-of-service benefits paid	**(2,39,715)**	(10,13,890)	**(4,514)**	(18,118)
Tax base	**(7,36,902)**	(1,13,189)	**(14,384)**	(2,022)
Tax @ 20%	—	—	—	—

As the Company incurred losses during the year no provision has been provided.

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 2018 and obtained certificates from the General Authority of Zakat and Tax

18. CONTRACT COSTS

	SR	2018 SR	**₹ in '000s**	2018 ₹ in '000s
Material costs	**1,34,43,959**	60,13,705	**2,53,150**	1,07,465
Sub-contractor costs	**22,33,230**	13,67,678	**42,051**	24,440
Salaries and benefits	**32,76,770**	27,80,402	**61,702**	49,686
Other expenses	**76,210**	58,344	**1,435**	1,043
	1,90,30,169	1,02,20,129	**3,58,338**	1,82,634

19. GENERAL AND ADMINISTRATIVE EXPENSES

	SR	2018 SR	**₹ in '000s**	2018 ₹ in '000s
Salaries and benefits	**19,01,370**	13,29,927	**35,803**	23,765
Rent (Note 23)	**1,65,616**	1,76,191	**3,119**	3,149
Vehicle expenses	**16,225**	3,989	**306**	71
Communication, travel and insurance	**2,50,422**	1,97,681	**4,715**	3,533
Office expenses	**65,787**	1,41,703	**1,239**	2,532
Depreciation	**20,678**	11,121	**389**	199
Professional and legal fees	**1,46,760**	2,50,693	**2,763**	4,480
Provision for doubtful debts	**1,62,484**	—	**3,060**	—
Provision for unbilled revenue	**4,84,411**	—	**9,121**	—
Other expenses	**1,47,189**	53,837	**2,772**	962
	33,60,942	21,65,142	**63,287**	38,691

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

20. OTHER INCOME

	SR	2018 SR	₹ in '000s	2018 ₹ in '000s
Receipts against bad debts written off	—	61,854	—	1,105
Scrap sales	—	17,205	—	307
Others	**2,242**	37,919	**42**	678
	2,242	1,16,978	**42**	2,090

21. TRANSACTIONS WITH MAJOR CUSTOMERS

Contract revenue during the year amounted to SR 21.700 million (₹ 408.611 million) [2018: SR 12.900 million (₹ 230.523 million)] and there are three major customers amounting to SR 17.275 million (₹ 325.288 million) [2018: SR 10.340 million (₹ 184.776 million)], which represents approximately 80% (2018: 80%) of the total contract revenue.

22. CONTINGENT LIABILITIES

	SR	2018 SR	₹ in '000s	2018 ₹ in '000s
Letter of Guarantee	**23,52,141**	10,50,000	**44,738**	19,562
Letter of credit	**25,75,927**	11,84,175	**48,994**	22,061
	49,28,068	22,34,175	**93,732**	41,623

23. OPERATING LEASE ARRANGEMENTS

	SR	2018 SR	₹ in '000s	2018 ₹ in '000s
Payments under operating leases recognized as an expense during the year	**1,65,616**	1,76,191	3,119	3,149

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 the 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	2018 SR	₹ in '000s	2018 ₹ in '000s
Trade receivables	**27,83,392**	21,68,690	**52,940**	40,403
Cash at banks	**4,66,922**	91,135	**8,881**	1,698
Other receivables	**3,35,493**	3,14,877	**6,381**	5,866
	35,85,807	25,74,702	**68,202**	47,967

	SR	2018 SR	₹ in '000s	2018 ₹ in '000s
Trade payables	**39,60,301**	20,57,772	**75,324**	38,336
Other payables	**9,48,374**	7,75,485	**18,038**	14,447
Bank borrowings	**17,56,195**	15,79,202	**33,403**	29,421
	66,64,870	44,12,459	**1,26,765**	82,204

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 loss of SR 7,97,461 (₹ 15.016 million) during the year ended 31st December, 2019. The Company's current liabilities exceeded its current assets by SR 15,46,946 (₹ 29.423 million) [2018: SR 8,82,494 (₹ 16.441 million)] and the accumulated losses amounting to SR 2,93,77,046 (₹ 558.751 million) as at 31st December, 2019 [2018: SR 2,85,79,585 (₹ 532.438 million)], exceeded 50% of 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, 2019, the partners unanimously resolved to support the Company to continue its operations.

27. SUBSEQUENT EVENT

The existence of the novel coronavirus (Covid-19) was confirmed in early 2020 AD and spread throughout all of China and from there to most countries of the world, which led to many countries taking many precautionary measures such as stopping work in establishments and institutions of the government and private sector and stopping the movement of transport and exchange Commercial, which caused turmoil in business and economic activities around the world.

The Management considers these subsequent events to be one of the events that do not require the amendment of the financial statements of the Company as a result of the unstable situation which is characterized by rapid development, which makes it difficult to determine the potential financial impact of this virus on the financial statements of the Company until the date of the report.

In 2020, the Management will study the financial impact of these events and procedures on the Company, and will reassess the continuity assumption.

28. COMPARATIVE FIGURES

Certain of the prior year amounts have been classified to conform to the presentation in the current year.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Management on 4th May, 2020 corresponding to 11 Ramadan 1441H.

Jeddah, 4th May, 2020 *Director* **Mohammad Rashid**

LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C.

Directors :

Anil George *(Chairman)*

Issa Lalbuksh Al Raisi

K. Prabhakar

A. R. Suresh Kumar *(w.e.f. 6th November, 2019)*

Manish Desai *(w.e.f. 6th November, 2019)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Annual Report and the Accounts for the year ended 31st December, 2019.

2. The Company has recorded higher turnover of Rials Omani (RO) 6.883 million for the year ended 31st December, 2019, as compared to RO 6.032 million in the previous year. Increase in turnover was due to completion of the prestigious Mazoon Dairy project. However, increase in input costs and other expenses, including provision of expected credit loss on work-in-progress and debtors resulted in the Company reporting a lower net profit of RO 0.710 million as compared RO 0.769 million in the previous year.

3. Mr. A. R. Suresh Kumar and Mr. Manish Desai were appointed as Directors of the Company with effect from 6th November, 2019, in place of Mr. P. N. Dhume and Mr. E. C. Prasad, respectively. The Directors placed on record their appreciation of the valuable contributions made by Mr. P. N. Dhume and Mr. E. C. Prasad during their respective tenure on the Board.

4. The Company had in October 2019, declared an interim dividend of RO 0.250 million for the year ended 31st December, 2019. No further dividend has been recommended. Thus, the interim dividend is the final dividend for the year ended 31st December, 2019 (Previous year: RO 0.575 million).

5. 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, 30th March, 2020

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, 2019, 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, 2019, 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 on our independence, and where applicable, related safeguards.

PKF L.LC.
Chartered Accountants
Amit C Athalye
Sultanate of Oman

Muscat, 30th March, 2020

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2019

	Notes	RO	As at 31-12-2018 RO	₹ in '000s	As at 31-12-2018 ₹ in '000s
ASSETS					
NON-CURRENT ASSET					
Property, plant and equipment	3	**1,39,968**	1,35,446	**25,919**	24,583
Contract assets	7	**1,09,369**	2,05,363	**20,253**	37,273
Other financial assets	9	**4,89,738**	4,57,822	**90,690**	83,095
		7,39,075	7,98,631	**1,36,862**	1,44,951
CURRENT ASSETS					
Inventories	4	**33,287**	71,313	**6,164**	12,943
Contract and other receivables	5	**28,14,340**	11,19,161	**5,21,159**	2,03,128
Other current assets	6	**1,19,642**	1,82,225	**22,155**	33,074
Contract assets	7	**36,56,524**	39,35,039	**6,77,116**	7,14,210
Cash and cash equivalents	8	**1,55,078**	12,97,393	**28,717**	2,35,477
		67,78,871	66,05,131	**12,55,311**	11,98,832
TOTAL ASSETS		**75,17,946**	74,03,762	**13,92,173**	13,43,783
EQUITY AND LIABILITIES					
MEMBERS' FUNDS					
Share capital	10	**2,50,000**	2,50,000	**46,295**	45,375
Legal reserve		**83,334**	83,334	**15,432**	15,125
General reserve		**7,50,000**	7,50,000	**1,38,885**	1,36,125
Accumulated profits		**32,35,625**	32,25,169	**5,99,173**	5,85,368
Equity funds		**43,18,959**	43,08,503	**7,99,785**	7,81,993
NON-CURRENT LIABILITY					
Staff end-of-service gratuity		**2,71,710**	2,19,177	**50,315**	39,781
CURRENT LIABILITIES					
Trade and other payables	11	**19,24,602**	18,51,328	**3,56,397**	3,36,016
Contract liabilities	12	**8,76,918**	8,89,583	**1,62,388**	1,61,459
Current tax payable		**1,25,757**	1,35,171	**23,288**	24,534
		29,27,277	28,76,082	**5,42,073**	5,22,009
TOTAL EQUITY AND LIABILITIES		**75,17,946**	74,03,762	**13,92,173**	13,43,783

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) = ₹ 185.18 being the exchange rate prevailing as on 31st December, 2019. Previous year figures have been converted @ 1 RO = ₹ 181.50 being the exchange rate prevailing as on 31st December, 2018.

Directors **Issa Lalbuksh Al Raisi**
A. R. Suresh Kumar

Muscat, 30th March, 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	RO	2018 RO	₹ in '000s	2018 ₹ in '000s
CONTRACT REVENUE	13	**68,83,362**	60,32,172	**12,61,996**	10,49,477
Cost of works executed	14	**(59,29,464)**	(49,28,546)	**(10,87,108)**	(8,57,468)
GROSS PROFIT		**9,53,898**	11,03,626	**1,74,888**	1,92,009
Other operating income	15	**2,91,027**	97,691	**53,357**	16,996
Staff costs		**(1,50,550)**	(1,10,615)	**(27,602)**	(19,245)
Director's remuneration		**(8,700)**	(9,163)	**(1,595)**	(1,594)
Allowance for expected credit loss		**(1,06,849)**	—	**(19,590)**	—
Depreciation		**(15,489)**	(18,437)	**(2,840)**	(3,208)
Other operating expenses	16	**(1,65,277)**	(1,69,481)	**(30,302)**	(29,486)
PROFIT FROM OPERATING ACTIVITIES		**7,98,060**	8,93,621	**1,46,316**	1,55,472
Interest income		**48,985**	14,289	**8,981**	2,486
Finance costs	17	**(7,636)**	(2,931)	**(1,400)**	(510)
NET PROFIT FOR THE YEAR BEFORE TAX		**8,39,409**	9,04,979	**1,53,897**	1,57,448
Income tax expense for current year	20-b	**(1,28,953)**	(1,35,171)	**(23,642)**	(23,517)
Income tax expense for earlier years		**—**	(576)	**—**	(100)
NET PROFIT FOR THE YEAR AFTER TAX		**7,10,456**	7,69,232	**1,30,255**	1,33,831
Other comprehensive income for the year		—	—	**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,10,456**	7,69,232	**1,30,255**	1,33,831

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) = ₹ 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). Previous year figures have been converted into Indian Rupees @ 1 RO = ₹ 173.98 being the average of the exchange rates prevailing as on 31st December, 2017 (1 RO = ₹ 166.45) and as on 31st December, 2018 (1 RO = ₹ 181.50).

Directors **Issa Lalbuksh Al Raisi**
A. R. Suresh Kumar

Muscat, 30th March, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2019

	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, 2017	2,50,000	41,613	83,334	13,871	7,50,000	1,24,838	28,05,937	4,67,048	38,89,271	6,47,370
Total comprehensive income for the year	—	—	—	—	—	—	7,69,232	1,33,831	7,69,232	1,33,831
Dividend declared and paid	—	—	—	—	—	—	(3,50,000)	(60,333)	(3,50,000)	(60,333)
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**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2019

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Cash flows from operating activities				
Net profit for the year before tax	**8,39,409**	9,04,979	**1,53,897**	1,57,448
Adjustments for:				
Depreciation	**64,367**	80,404	**11,801**	13,989
Profit on disposal of property, plant and equipment	**(1,88,354)**	(13,990)	**(34,533)**	(2,434)
Interest income	**(48,985)**	(14,289)	**(8,981)**	(2,486)
Finance costs	**7,636**	2,931	**1,400**	510
Operating profit before changes in operating assets and liabilities	**6,74,073**	9,60,035	**1,23,584**	1,67,027
Changes in inventories	**38,026**	(23,966)	**6,779**	(5,062)
Changes in contract and other receivables	**(16,95,179)**	4,63,918	**(3,18,032)**	60,376
Changes in other current assets	**62,583**	(1,42,308)	**10,919**	(26,430)
Changes in trade and other payables	**73,274**	(92,657)	**20,382**	12,440
Changes in staff gratuity liability	**52,533**	7,592	**10,535**	4,562
Change in contract assets	**3,74,509**	(1,42,191)	**54,115**	(85,981)
Change in contract liabilities	**(12,665)**	(1,27,398)	**928**	(7,817)
Cash (used in) / generated from operating activities	**(4,32,846)**	9,03,025	**(80,154)**	1,63,899
Finance costs paid	**(7,636)**	(2,931)	**(1,400)**	(510)
Taxes paid	**(1,38,365)**	(1,20,662)	**(24,073)**	(20,962)
Net cash (used in) / generated from operating activities (A)	**(5,78,847)**	7,79,432	**(1,07,191)**	1,41,467
Cash flows from investing activities				
Interest received	**48,985**	14,289	**8,981**	2,486
(increase) / descrease in time deposits	**(31,916)**	1,21,565	**(7,595)**	13,344
Purchase of property, plant and equipment	**(74,219)**	(41,232)	**(13,607)**	(7,174)
Proceeds from disposal of property, plant and equipment	**1,93,682**	14,108	**35,510**	2,455
Net cash generated from investing activities (B)	**1,36,532**	1,08,370	**25,283**	19,734
Cash flows from financing activity				
Dividends paid	**(7,00,000)**	(3,50,000)	**(1,24,126)**	(60,333)
Net cash used in financing activity (C)	**(7,00,000)**	(3,50,000)	**(1,29,626)**	(63,525)
Net (descrease) / increase in cash and cash equivalents (A+B+C)	**(11,42,315)**	5,38,162	**(2,06,759)**	1,09,103
Cash and cash equivalents at beginning of the year	**12,97,393**	7,59,231	**2,35,477**	1,26,374
Cash and cash equivalents at end of the year	**1,55,078**	12,97,393	**28,717**	2,35,477

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

(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 of invoice value plus applicable landing charges. Net realisable value is based on estimated selling price less any estimated cost of completion and disposal.

(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 recognized 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 recognized 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 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 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 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 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 of 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 1,09,942 (₹ 20.157 million) [Previous year: RO 67,375 (₹ 11.722 million)]

(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 recognizes 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

(n) Revenue (contd.)

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 recognized 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.

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, 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.

(p) Leases (contd.)

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 (₹ 0.356 million) 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.

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.

In previous year

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Leases under which substantially all the risks and rewards of ownership pass to the Company are treated as finance leases and capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated to the finance charge so as to achieve a constant rate of return on the outstanding balance, and charged to profit or loss and to the repayment of the lease liability.

(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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

(s) 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.

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.

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 de-recognised, modified or impaired.

(s) Financial Instruments (contd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

(s) Financial Instruments (contd.)

The Company recognises an allowance for expected credit losses 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.

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.

(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 recognized 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 recognized 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).

(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 recognized 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.

2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (contd.)

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 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.

2.7 ADOPTION OF REVISED AND NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

(i) The International Financial Reporting Standards, amendments thereto and interpretations that became effective for the first time for the current reporting period and which are applicable to the Company and which could have a material impact on the financial statements are as follows.

- IFRS 16: Leases (Effective from 1st January, 2019)

The impact of adoption of these standards and the new accounting policies are explained in details in Note 2.8 to these financial statements.

(ii) 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 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.

(a) Changes in accounting policy due to adoption of IFRS 16 in 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

2.8 CHANGES IN ACCOUNTING POLICIES (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 recognized 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.

(b) Change in accounting policy due to adoption of IFRS 9 in previous year

The Company had adopted IFRS 9 Financial Instruments in the previous year with a date of initial application of 1st January, 2018. The requirements of IFRS 9 represented a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below:

(i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

(ii) Impairment of financial assets

The adoption of IFRS 9 requires the management to account for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss approach.

Allowance for expected credit losses are recorded for all loans and other debt financial assets 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

(b) Change in accounting policy due to adoption of IFRS 9 in previous year (contd.)

The following financial assets are subject to IFRS 9's new expected credit loss model:

- Contract and other receivables
- Other financial assets
- Contract assets
- Cash equivalents

The Management has applied the simplified approach permitted by IFRS 9 for trade receivables. The simplified approach requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The Management has established a provision matrix / model that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

For other debt financial assets, the expected credit loss is based on the 12-month expected credit loss. The 12-month allowance for expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

(iii) Transition

As per transition method chosen by the Company, changes in accounting policies resulting from the adoption of IFRS 9 in case of financial assets had been applied retrospectively without restating comparative information as permitted by the standard. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39. As per Company's internal working, allowance for expected credit losses as at 1st January, 2018 was not material and hence no adjustment is done in opening accumulated profits for the year 2018.

(iv) Classification and measurement of financial asset on the date of initial application of IFRS 9

The following table shows the original measurement category under IAS 39 and the new measurement category under IFRS 9 for the Company's financial assets as at 1st January, 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 (as at 31-12-2017)		New carrying amount under IFRS 9 (restated as at 01-01-2018)		Difference reported under retained earnings	
			RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s
Contract and other receivables	Loans and receivables	Amortised cost	15,92,300	2,65,038	15,92,300	2,65,038	Nil	Nil
Other current financial assets	Loans and receivables	Amortised cost	39,917	6,644	39,917	6,644	Nil	Nil
Other non-current financial assets	Available for sale	Fair value through other comprehensive income	5,79,387	96,439	5,79,387	96,439	Nil	Nil
Contract assets	Loans and receivables	Amortised cost	39,88,990	6,63,967	39,88,990	6,63,967	Nil	Nil
Cash equivalents	Loans and receivables	Amortised cost	7,59,231	1,26,374	7,59,231	1,26,374	Nil	Nil
			69,59,825	**11,58,462**	**69,59,825**	**11,58,462**	**Nil**	**Nil**

(c) Change in accounting policy due to adoption of IFRS 15 in previous year

IFRS 15: Revenue from contracts with customers outlines a single comprehensive model for accounting of revenue and supersedes IAS 11 which covered construction contracts, IAS 18 which covered revenue from sale of goods and services and various interpretations issued by the IFRS Interpretations Committee.

The Company had elected to adopt IFRS 15 using the modified retrospective method. Accordingly:

- In case of contracts that are not complete at the date of initial application, cumulative catchup adjustment (if any) is made to opening balance of retained earnings as at 1st January, 2018 in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

3. PROPERTY, PLANT AND EQUIPMENT

	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, 2019	93,850	17,034	10,86,216	1,97,148	1,33,144	24,166	7,43,868	1,35,012	20,57,078	3,73,360
Additions	23,532	4,314	7,115	1,304	4,832	886	38,740	7,103	74,219	13,607
Disposals	(3,290)	(603)	(7,33,053)	(1,34,398)	(2,680)	(491)	(53,191)	(9,752)	(7,92,214)	(1,45,243)
As at 31st December, 2019	**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**
Accumulated depreciation										
As at 1st January, 2019	60,828	11,041	10,48,019	1,90,216	96,569	17,527	7,16,216	1,29,993	19,21,632	3,48,777
Depreciation for the year	12,918	2,368	12,189	2,235	19,950	3,658	19,310	3,540	64,367	11,801
Adjustments on disposal	(3,289)	(603)	(7,27,762)	(1,33,428)	(2,649)	(486)	(53,184)	(9,751)	(7,86,884)	(1,44,268)
As at 31st December, 2019	**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**
Net book value										
As at 31st December, 2018	33,022	5,993	38,197	6,932	36,575	6,639	27,652	5,019	1,35,446	24,583
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**

Porta cabins and equipments are on land jointly owned by related parties.

4. INVENTORIES

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
4.1 Materials	**1,34,796**	1,72,822	**24,961**	31,367
Provision for slow moving inventories	**(1,01,509)**	(1,01,509)	**(18,797)**	(18,424)
	33,287	71,313	**6,164**	12,943

4.2 The movements in provision for slow moving inventories are as follows:

Opening balance	**1,01,509**	1,01,500	**18,424**	16,895
Provision made	—	9	—	2
Closing balance	**1,01,509**	1,01,509	**18,797**	18,424

5. CONTRACT AND OTHER RECEIVABLES

			As at 31-12-2018		As at 31-12-2018
		RO	RO	**₹ in '000s**	₹ in '000s
5.1	Contract receivables – related parties	**1,09,211**	1,24,466	**20,224**	22,590
	Contract receivables – others	**23,01,245**	10,87,228	**4,26,145**	1,97,332
	Allowance for expected credit loss	**(1,53,076)**	(1,45,400)	**(28,347)**	(26,390)
		22,57,380	10,66,294	**4,18,022**	1,93,532
	Advances to staff	**26,850**	26,756	**4,971**	4,856
	Advances to related parties	**7,077**	5,983	**1,311**	1,086
	Inter corporate deposit given to related party	**5,00,000**	—	**92,590**	—
	Deposits	**13,260**	10,570	**2,455**	1,919
	Other receivables from related parties	**9,773**	9,558	**1,810**	1,735
		28,14,340	11,19,161	**5,21,159**	2,03,128

5.2 The movements in the allowances for expected credit losses account against contract receivables are as follows:

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	**1,45,400**	1,45,400	**26,390**	24,202
Expected credit loss allowance made during the year as per IFRS 9	**7,676**	—	**1,407**	—
Closing balance	**1,53,076**	1,45,400	**28,347**	26,390

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**
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**
2018	12,11,694	2,19,922	10,01,299	1,81,735	1,47,753	26,817	80	15	62,562	11,355

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 1,53,076 (₹ 28.347 million) 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, 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

6. OTHER CURRENT ASSETS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Prepayments	**53,669**	270	**9,938**	49
Advance to supplier – related party	**209**	—	**39**	—
Advance to suppliers – others	**65,764**	1,81,955	**12,178**	33,025
	1,19,642	1,82,225	**22,155**	33,074

7. CONTRACT ASSETS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
7.1 Amounts due from customers for contract work	**30,85,113**	34,39,823	**5,71,301**	6,24,328
Allowance for expected credit loss	**(99,173)**	—	**(18,365)**	—
	29,85,940	34,39,823	**5,52,396**	624,328
Retentions receivable	**7,59,298**	6,78,496	**1,40,608**	1,23,147
Interest accrued on bank fixed deposits	**20,655**	22,083	**3,825**	4,008
	37,65,893	41,40,402	**6,97,369**	7,51,483
Disclosed as:				
Non-current contract assets	**1,09,369**	2,05,363	**20,253**	37,273
Current contract assets	**36,56,524**	39,35,039	**6,77,116**	7,14,210
	37,65,893	41,40,402	**6,97,369**	7,51,483

7.2 Amounts due from customers for contract work include RO 29,653 (₹ 5.491 million) [Previous year: RO 12,469 (₹ 2.263 million)] 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	2018	**2019**	2018
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	—	—	—	—
Expected credit loss allowance made during the year as per IFRS 9	**99,173**	—	**18,182**	—
Closing balance	**99,173**	—	**18,365**	—

7.4 The following table provides information about the ageing profit for retention 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**
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**
2018	6,78,496	1,23,147	5,84,158	1,06,025	72,736	13,201	18,039	3,274	3,563	647

8. CASH AND CASH EQUIVALENTS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Bank balances:				
Current accounts	**1,48,386**	12,93,426	**27,478**	2,34,757
Smart card balances	**6,644**	3,694	**1,230**	670
	1,55,030	12,97,120	**28,708**	2,35,427
Cash on hand	**48**	273	**9**	50
	1,55,078	12,97,393	**28,717**	2,35,477

The credit facilities from a bank are secured by way of:

(a) Lien on fixed deposits of RO 2,87,972 (₹ 53.327 million) with the banks.

(b) Proportionate guarantee of Lalbuksh Contracting and Trading Establishment for RO 10,04,000 (₹ 185.921 million).

(c) Proportionate guarantee from Voltas Limited, India for RO 5,02,000 (₹ 92.960 million).

(d) Proportionate guarantee from Voltas Netherlands B.V. for RO 10,04,000 (₹ 185.921 million).

(e) Corporate guarantee of RO 15,00,000 (₹ 277.770 million) from Lalbuksh Contracting and Trading Establishment.

(f) Assignment letters from major customers.

(g) Corporate guarantee from Voltas Netherlands B.V. for RO 20,00,000 (₹ 370.360 million).

(h) Corporate guarantee from Lalbuksh Contracting and Trading Establishment for RO 20,00,000 (₹ 370.360 million).

(i) Corporate guarantee from Voltas Limited for RO 10,00,000 (₹ 185.180 million).

Bank facilities are subject to financial covenants.

9. OTHER FINANCIAL ASSETS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Fixed deposits with banks	**4,89,738**	4,57,822	**90,690**	83,095

Fixed deposits of RO 2,87,972 (₹ 53.327 million) [Previous year: RO 2,87,972 (₹ 52.267 million)] 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 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Trade payables – related parties	—	13,266	—	2,407
Trade payables – others	**14,21,635**	13,33,084	**2,63,257**	2,41,955
Accruals *	**4,64,769**	5,04,610	**86,066**	91,587
Amounts due to related parties	**38,198**	368	**7,074**	67
	19,24,602	18,51,328	**3,56,397**	3,36,016

*Accruals include RO 7,119 (₹ 1.318 million) [Previous year: RO Nil (₹ Nil)] due to a related party.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

12. CONTRACT LIABILITIES

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
(a) Amounts due to customers for contract work	**92,425**	3,19,564	**17,116**	58,001
(b) Advance from customers	**7,84,493**	5,70,019	**1,45,272**	1,03,458
	8,76,918	8,89,583	**1,62,388**	1,61,459
Disclosed as:				
Non-current contract liabilities	—	—	—	—
Current contract liabilities	**8,76,918**	8,89,583	**1,62,388**	1,61,459
	8,76,918	8,89,583	**1,62,388**	1,61,459

Amounts due to customers for contract works include RO 323 (₹ 0.060 million) [Previous year: RO 66 (₹ 0.012 million)] due to a related party.

13. REVENUE

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Contract works executed	**68,83,362**	60,32,172	**12,61,996**	10,49,477

- The Company generates 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		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Sultanate of Oman	**68,83,362**	60,32,172	**12,61,996**	10,49,477
Others	—	—	—	—
	68,83,362	60,32,172	**12,61,996**	10,49,477
Major goods / service lines				
Contract work executed	**67,31,557**	55,10,460	**12,34,164**	9,58,710
Maintenance contracts	**1,51,805**	5,21,712	**27,832**	90,767
	68,83,362	60,32,172	**12,61,996**	10,49,477
Timing of revenue recognition				
Over period of time	**68,83,362**	60,32,172	**12,61,996**	10,49,477

14. COST OF WORKS EXECUTED

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Materials consumed	**25,16,135**	20,75,122	**4,61,309**	3,61,029
Labour expenses	**17,55,911**	16,68,261	**3,21,929**	2,90,244
Sub contract expenses	**7,38,215**	4,73,940	**1,35,344**	82,456
Depreciation	**48,878**	61,967	**8,961**	10,781
Other direct expenses	**8,70,325**	6,49,256	**1,59,565**	1,12,958
	59,29,464	49,28,546	**10,87,108**	8,57,468

15. OTHER OPERATING INCOME

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Credit balances written back for provisions	**82,213**	28,430	**15,073**	4,946
Profit on sale of fixed assets	**1,88,354**	13,990	**34,533**	2,434
Miscellaneous income	**20,460**	55,271	**3,751**	9,616
	2,91,027	97,691	**53,357**	16,996

16. OTHER OPERATING EXPENSES

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Rent	**65,360**	73,840	**11,983**	12,846
Repairs and maintenance	**29,094**	22,770	**5,334**	3,961
Insurance	**9,780**	13,298	**1,793**	2,314
Electricity and water charges	**5,398**	2,476	**990**	431
Telephones, fax and postage	**8,197**	10,325	**1,503**	1,796
Travelling and conveyance	**4,638**	6,337	**850**	1,103
Vehicle expenses	**8,088**	4,553	**1,483**	792
Advertisement and business promotion expenses	**2,399**	5,851	**440**	1,018
Printing and stationery	**5,232**	4,686	**959**	815
Visa expense	**1,474**	2,683	**270**	467
Miscellaneous expenses	**25,617**	22,662	**4,697**	3,943
	1,65,277	1,69,481	**30,302**	29,486

17. FINANCE COSTS

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Bank charges	**7,636**	2,931	**1,400**	510

18. DIVIDENDS

Dividend declared and paid of RO 7,00,000 (₹ 124.126 million) [Previous year: RO 3,50,000 (₹ 60.333 million)] represents dividend per share of RO 2.800 (₹ 496.50) [Previous year: RO 1.400 (₹ 241.33)].

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 2018	**Total**	Total 2018
	RO	**RO**	**RO**	RO	**₹ in '000s**	₹ in '000s
Rent expense	—	**74,360**	**74,360**	73,840	**13,633**	12,847
Director's remuneration	—	**8,700**	**8,700**	9,163	**1,595**	1,594
Dividend paid	—	**7,00,000**	**7,00,000**	3,50,000	**1,24,126**	60,333
Purchases and expenses	**3,911**	—	**3,911**	—	**717**	—
Revenue	**1,44,401**	—	**1,44,401**	13,244	**26,474**	2,304
Inter corporate deposit given	**5,00,000**	—	**5,00,000**	—	**91,670**	—
Interest on inter corporate deposit	**24,656**	—	**24,656**	—	**4,520**	—
Materials purchased	—	—	—	1,41,519	—	24,621

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

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 2019 are subject to agreement with the taxation authorities.

(b) The income tax expense as per the statement of comprehensive income comprises:

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Current tax				
Charge for the current year	**1,28,953**	1,35,171	**23,642**	23,517
Income tax expenses	**1,28,953**	1,35,171	**23,642**	23,517

(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:

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Tax on accounting profit of RO 8,39,409 (₹ 153.897 million) [Previous year: RO 9,04,979 (₹ 157.448 million)] at applicable tax rates	**1,25,911**	1,35,747	**23,085**	23,617
Add / less tax effect of:				
Expenses disallowable	**180**	180	**33**	31
Depreciation adjustment based on depreciation rates as per tax law	**1,545**	1,274	**283**	222
Expected credit loss allowance made for doubtful contract receivables and contract assets not considered as deductible expense for tax purposes	**16,027**	—	**2,938**	—
Balancing figure	**12,512**	—	**2,294**	—
Profit on disposals of property, plant and equipment	**(28,253)**	—	**(5,180)**	—
Other disallowances / adjustments (net)	**1,031**	(2,030)	**189**	(353)
Tax expense per statement of comprehensive income	**1,28,953**	1,35,171	**23,642**	23,517

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. Trade and other receivables are stated net of allowances for expected credit losses. Contract receivables are stated net of provision for doubtful debts. As at the year end, RO 14,28,752 (₹ 264.576 million) constituting 45% [Previous year: RO 11,02,243 (₹ 200.057 million) constituting 58%] of contract debtors and retentions are due from two debtors (Previous year: three debtors). As at the year end, amounts due from customers for contract works of RO 20,15,925 (₹ 373.309 million) [Previous year: RO 19,54,262 (₹ 354.699 million)] constituting 65% (Previous year: 57%) are due from four (Previous year: three) customers. As at the year end, inter corporate deposit of RO 5,00,000 (₹ 92.590 million) constitutes 18% 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 2,34,832 (₹ 43.486 million) (comprising of dues from main contract of RO 1,99,912 (₹ 37.020 million) and dues of RO 34,920 (₹ 6.466 million) 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 1,53,076 (₹ 28.347 million) 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.

Interest rate risk

The Company's fixed deposits are at interest rates of 3.25% to 3.75% per annum (Previous year: 0.40% 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, 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

	Less than 1 year	1 year to 5 years	Total	Total
	RO	RO	RO	` in '000s
As at 31st December, 2018				
Staff end-of-service gratuity	—	2,19,177	2,19,177	39,781
Trade and other payables	18,51,328	—	18,51,328	3,36,016
Contract liabilities	8,89,583	—	8,89,583	1,61,459
Current tax payable	1,35,171	—	1,35,171	24,534
	28,76,082	2,19,177	30,95,259	5,61,790

22. CONTINGENT LIABILITIES

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Banker's letters of guarantees and bonds	**24,14,004**	20,40,613	**4,47,025**	3,70,371

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. PURCHASE COMMITMENTS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Unutilized letter of credit	—	4,33,854	—	78,745
Acceptances	—	61,973	—	11,248
	—	4,95,827	—	89,993

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 **Issa Lalbuksh Al Raisi**
A. R. Suresh Kumar

Muscat, 30th March, 2020

VOLTAS OMAN L.L.C.

Directors:

Anil George *(Chairman)*
Akber M. Sultan *(Vice Chairman)*
K. Prabhakar
Rajeev Sharma
A. R. Suresh Kumar *(w.e.f. 6th November, 2019)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present the Ninth Annual Report and Accounts for the year ended 31st December, 2019.

2. The general economic slowdown and adverse liquidity scenario in the Sultanate of Oman continued to impact the performance of the Company during the year ended 31st December, 2019. The Company has reported lower turnover of Rials Omani (RO) 7.730 million as compared to RO 9.341 million in the previous year. Provision for expected credit loss on work-in-progress and debtors of RO 1.317 million resulted in the Company reporting a loss of RO 0.663 million during the year as compared to net profit of RO 0.042 million in the previous year.

3. The Directors do not recommend any dividend for the year ended 31st December, 2019 (Previous year: Nil).

4. Mr. A. R. Suresh Kumar was appointed as Director of the Company with effect from 6th November, 2019, in place of Mr. E. C. Prasad. The Directors placed on record their appreciation of the valuable contribution made by Mr. E. C. Prasad during his tenure on the Board.

5. 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

A. R. Suresh Kumar
Rajeev Sharma

Muscat, 19th May, 2020

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, 2019, 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, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 11,41,228 (₹ 211.333 million) and has a deficit in members' / equity funds of RO 5,67,243 (₹105.042 million) as at 31st December, 2019. 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 number 18 to these financial statements regarding classification of reversal of an exceptional item.

- Note numbers 21 and 22 to these financial statements regarding credit risk exposures, unapproved variations and deductions not accounted respectively.
- Note number 24 to these financial statements, regarding Company Management's assessment of COVID-19 event impact on Company's financial statements.

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
Ian R. Pereira
Sultanate of Oman

Muscat, 19th May, 2020

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2019

	Notes	RO	As at 31-12-2018 RO	₹ in '000s	As at 31-12-2018 ₹ in '000s
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	**1,33,399**	1,58,182	**24,702**	28,710
Right-of-use asset	4	**6,885**	—	**1,275**	—
Long term deposits	5	**1,018**	1,018	**189**	185
		1,41,302	1,59,200	**26,166**	28,895
CURRENT ASSETS					
Contract and other receivables	5	**42,14,298**	38,00,843	**7,80,404**	6,89,853
Other assets	6	**1,13,656**	4,65,064	**21,047**	84,409
Contract assets	7	**70,61,042**	56,15,106	**13,07,564**	10,19,142
Cash and cash equivalents	9	**4,940**	1,87,100	**915**	33,959
		1,13,93,936	1,00,68,113	**21,09,930**	18,27,363
TOTAL ASSETS		**1,15,35,238**	1,02,27,313	**21,36,096**	18,56,258
EQUITY AND LIABILITIES					
MEMBERS' FUNDS					
Share capital	10	**5,00,000**	5,00,000	**92,590**	90,750
Legal reserve		**73,985**	73,985	**13,701**	13,428
Accumulated losses		**(11,41,228)**	(4,78,518)	**(2,11,333)**	(86,851)
Members' Funds		**(5,67,243)**	95,467	**(1,05,042)**	17,327
NON-CURRENT LIABILITY					
Staff end-of-service gratuity		**1,36,031**	1,32,832	**25,190**	24,110
CURRENT LIABILITIES					
Bank borrowings	11	**45,21,799**	33,99,725	**8,37,347**	6,17,050
Contract and other payables	12	**53,58,068**	50,78,117	**9,92,207**	9,21,678
Advance from customers		**20,31,656**	14,82,028	**3,76,222**	2,68,988
Lease Liability		**6,932**	—	**1,284**	—
Current tax payable		**47,995**	39,144	**8,888**	7,105
		1,19,66,450	99,99,014	**22,15,948**	18,14,821
TOTAL EQUITY AND LIABILITIES		**1,15,35,238**	1,02,27,313	**21,36,096**	18,56,258

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) = ₹ 185.18 being the exchange rate prevailing as on 31st December, 2019. Previous year figures have been converted @ 1 RO = ₹ 181.50 being the exchange rate prevailing as on 31st December, 2018.

Directors **Akber M. Sultan**
A. R. Suresh Kumar
K. Prabhakar
Rajeev Sharma

Muscat, 19th May, 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	RO	2018 RO	₹ in '000s	2018 ₹ in '000s
REVENUE	13	**77,29,935**	93,41,085	**14,17,206**	16,25,162
Cost of works executed	14	**(72,21,978)**	(85,45,697)	**(13,24,077)**	(14,86,780)
GROSS PROFIT		**5,07,957**	7,95,388	**93,129**	1,38,382
Other operating income	15	**19,292**	4,24,610	**3,537**	73,874
Staff costs		**(1,35,215)**	(2,16,243)	**(24,790)**	(37,622)
Depreciation	3	**(14,237)**	(15,092)	**(2,610)**	(2,626)
Allowance for expected credit losses	5	**(13,17,440)**	—	**(2,41,539)**	—
Other operating expenses	16	**(66,477)**	(97,850)	**(12,188)**	(17,024)
(LOSS) / PROFIT FROM OPERATING ACTIVITIES FOR THE YEAR		**(10,06,120)**	8,90,813	**(1,84,461)**	1,54,984
Finance costs	17	**(3,864)**	(63,926)	**(708)**	(11,122)
Exceptional item	18	**3,93,828**	(7,47,300)	**72,204**	(1,30,015)
NET (LOSS) / PROFIT FOR THE YEAR BEFORE TAX		**(6,16,156)**	79,587	**(1,12,965)**	13,847
Income tax expense	19	**(46,554)**	(37,516)	**(8,535)**	(6,527)
NET (LOSS) / PROFIT FOR THE YEAR AFTER TAX		**(6,62,710)**	42,071	**(1,21,500)**	7,320
Other comprehensive income / (loss) for the year		—	—	—	—
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(6,62,710)**	42,071	**(1,21,500)**	7,320

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) = ₹ 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). Previous year figures have been converted into Indian Rupees @ 1 RO = ₹ 173.98 being the average of the exchange rates prevailing as on 31st December, 2017 (1 RO = ₹ 166.45) and as on 31st December, 2018 (1 RO = ₹ 181.50).

Directors **Akber M. Sultan**
A. R. Suresh Kumar
K. Prabhakar
Rajeev Sharma

Muscat, 19th May, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Share capital		Legal reserve		Accumulated losses		Total	
	RO	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**
As at 31st December, 2017 (as originally presented)	5,00,000	83,225	69,777	11,614	(84,491)	(14,064)	4,85,286	80,775
Adjustment from initial application of IFRS 9 (Note 2.8)	—	—	—	—	(4,31,890)	(71,888)	(4,31,890)	(71,888)
Restated balances as at 1st January, 2018	5,00,000	83,225	69,777	11,614	(5,16,381)	(85,952)	53,396	8,887
Total comprehensive income for the year	—	—	—	—	42,071	7,320	42,071	7,320
Transfer to legal reserve	—	—	4,208	764	(4,208)	(764)	—	—
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)**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2019

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Cash flows from operating activities				
Net (loss) / profit for the year before tax	**(6,16,156)**	79,587	**(1,12,965)**	13,847
Adjustments for:				
Depreciation	**77,580**	60,946	**14,224**	10,603
Exceptional item	**(3,93,828)**	7,47,300	**(72,204)**	1,30,015
Finance cost	**4,691**	63,926	**860**	11,122
Operating (loss) / profit before changes in operating assets and liabilities	**(9,27,713)**	9,51,759	**(1,70,085)**	1,65,587
Change in contract and other receivables	**(4,13,455)**	(15,65,563)	**(90,551)**	(3,24,291)
Change in other assets	**3,51,408**	74,211	**63,362**	5,353
Change in contract assets	**(10,52,108)**	(17,02,158)	**(2,18,243)**	(3,79,078)
Change in contract and other payables	**2,80,801**	(47,835)	**70,686**	68,464
Change in staff end-of-service gratuity	**2,349**	7,138	**924**	3,187
Change in advances from customers	**5,49,628**	(13,20,618)	**1,07,234**	(1,97,512)
Change in inventories	**—**	17,41,875	—	2,89,935
Cash used in operating activities	**(12,09,090)**	(18,61,191)	**(2,23,899)**	(3,37,806)
Tax paid	**(37,703)**	(15,456)	**(6,560)**	(2,651)
Net cash used in operating activities (A)	**(12,46,793)**	(18,76,647)	**(2,30,881)**	(3,40,611)
Cash flows from investing activity				
Purchase of property, plant and equipment	**(38,577)**	(17,843)	**(7,073)**	(3,104)
Net cash used in investing activity (B)	**(38,577)**	(17,843)	**(7,144)**	(3,239)
Cash flows from financing activities				
Proceeds from bank borrowings	**11,22,074**	13,37,246	**2,20,297**	2,73,750
Payment of lease liabilities	**(15,000)**	—	**(2,750)**	—
Finance cost paid	**(3,864)**	(63,926)	**(708)**	(11,122)
Net cash from financing activities (C)	**11,03,210**	12,73,320	**2,04,292**	2,31,108
Net decrease in cash and cash equivalents (A+B+C)	**(1,82,160)**	(6,21,170)	**(33,044)**	(1,00,578)
Cash and cash equivalents at beginning of the year	**1,87,100**	8,08,270	**33,959**	1,34,537
Cash and cash equivalents at end of the year	**4,940**	1,87,100	**915**	33,959

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

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 11,41,228 (₹ 211.333 million) and has a deficit of RO 5,67,243 (₹ 105.042 million) as at 31st December, 2019. 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.

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.

(**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.

2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)

(c) Inventories

From the previous year, all 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.

Before previous year, inventories were stated at lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Costs were determined on the moving weighted average cost basis and comprised of invoice value plus applicable landing charges. Net realisable value was based on estimated selling price less any estimated costs of completion and disposal.

(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 of 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. 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 of 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 1,11,200 (₹ 20.387 million) [Previous year: RO 70,857 (₹ 12.328 million)].

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 recognized 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)

(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 been made on taxable net profit earned by the Company during the year, arrived at after making suitable adjustments for likely disallowance as per the Law of Income Tax on Companies in Oman, as per Company's past completed income tax assessments and after adjustment of brought forwarded loss to the net profit as per the Company's financial statements. Additional income tax liability that may arise in future on completion of pending income tax assessments for the tax years 2014 to 2015 and 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 2014.

(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.

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.

2.5 SIGNIFICANT ACCOUNTING POLICIES (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 loss 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 de-recognition and financial assets at fair value through profit or loss.

Impairment of financial assets

The Company measures Expected Credit Losses (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.

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.

In the previous year, all allowances for ECL pertaining to all of Company's financial assets had been recognised under impairment of an amount due from a customer for contract work (refer Note numbers 7 and 18 to these financial statements).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)

(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.

(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.

2.5 SIGNIFICANT ACCOUNTING POLICIES (contd.)

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 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.

In previous year

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

(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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (contd.)

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 Oman and accordingly no adjustment for the economic environment was deemed necessary.

(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.

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 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 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.

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

(i) The International Financial Reporting Standards, amendments thereto and interpretations that became effective for the first time for the current reporting period and which are applicable to the Company and which could have a material impact on the financial statements is as follows.

- IFRS 16: Leases

The impact of adoption of these standards and the new accounting policies are explained in detail in Note 2.8 to these financial statements.

(ii) 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 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 lease assets were recognised at an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

2.8 CHANGES IN ACCOUNTING POLICIES (contd.)

With regard to the impact for current year, the Company has recognized 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

		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

(b) Change in accounting policy due to adoption of IFRS 9 in the previous year

The Company had adopted IFRS 9 Financial Instruments in the previous year with a date of initial application of 1st January, 2018. The requirements of IFRS 9 represented a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below:

(i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

(ii) Impairment of financial assets

The adoption of IFRS 9 requires the Management to account for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss approach.

Allowance for expected credit losses are recorded for all loans and other debt financial assets 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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The following financial assets are subject to IFRS 9's new expected credit loss model:

- Long term deposits
- Contract and other receivables
- Contract assets
- Cash equivalents

The Management has applied the simplified approach permitted by IFRS 9 for contract receivables. The simplified approach requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The Management has established a provision model that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

For other debt financial assets, the expected credit loss is based on the 12-month ECL. The 12-month allowance for ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

(iii) Transition

As per transition method chosen by the Company, changes in accounting policies resulting from the adoption of IFRS 9 in case of financial assets had been applied retrospectively without restating comparative information as permitted by the standard. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated losses as at 1st January, 2018. The following table summarises the impact, net of tax, of transition to IFRS 9 on accumulated losses at 1st January, 2018.

2.8 CHANGES IN ACCOUNTING POLICIES (contd.)

Accumulated losses

	Impact of adopting IFRS 9 at 1st January, 2018	
	RO	₹ in '000s
Opening balance under IAS 39 (1st January, 2018)	(84,491)	(14,064)
Recognition of allowance for expected credit losses under IFRS 9	(4,31,890)	(71,888)
Opening balance under IFRS 9 (1st January, 2018)	(5,16,381)	(85,952)

(iv) Classification and measurement of financial asset on the date of initial application of IFRS-9

The following table shows the original classification and measurement category under IAS 39 and the new classification and measurement category under IFRS 9 for the Company's financial assets as at 1st January, 2018

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 (as at 31.12.2017)		New carrying amount under IFRS 9 (restated as at 01.01.2018)		Difference reported under retained earnings	
			RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s
Long term deposits	Loans and receivables	Amortised cost	1,018	169	1,018	169	—	—
Contract and other receivables	Loans and receivables	Amortised cost	26,67,170	4,43,950	26,67,170	4,43,950	—	—
Contract assets	Loans and receivables	Amortised cost	46,60,248	7,75,698	42,28,358	7,03,810	4,31,890	71,888
Cash equivalents	Loans and receivables	Amortised cost	8,05,070	1,34,004	8,05,070	1,34,004	—	—
			81,33,506	**13,53,821**	**77,01,616**	**12,81,933**	**4,31,890**	**71,888**

(c) Change in accounting policy due to adoption of IFRS 15 in the previous year

IFRS 15: Revenue from contracts with customers outlines a single comprehensive model for accounting of revenue and supersedes IAS 11 which covered construction contracts, IAS 18 which covered revenue from sale of goods and services and various interpretations issued by the IFRS Interpretations Committee.

The Company had elected to adopt IFRS 15 using the modified retrospective method.

3. PROPERTY, PLANT AND EQUIPMENT

	Temporary structures		Equipment		Furniture and fixtures		Computers and software		Vehicle		Total	
	RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s
Cost												
As at 1st January, 2019	1,66,737	30,263	52,134	9,462	50,412	9,150	1,52,143	27,614	14,000	2,541	4,35,426	79,030
Additions	17,100	3,135	3,032	556	700	128	395	72	17,350	3,181	38,577	7,072
As at 31st December, 2019	**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**
Accumulated depreciation												
As at 1st January, 2019	72,436	13,147	29,740	5,398	45,548	8,267	1,24,816	22,654	4,704	854	2,77,244	50,320
Charge for the year	25,160	4,613	6,974	1,279	2,258	414	18,972	3,478	9,996	1,833	63,360	11,617
As at 31st December, 2019	**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**
Net book value												
As at 31st December, 2018	94,301	17,116	22,394	4,064	4,864	883	27,327	4,960	9,296	1,687	1,58,182	28,710
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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

3. PROPERTY, PLANT AND EQUIPMENT (contd.)

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Depreciation charged to cost of works executed	**49,123**	45,854	**9,007**	7,977
Depreciation charged to other operating expenses	**14,237**	15,092	**2,610**	2,626
Charge for the year	**63,360**	60,946	**11,617**	10,603

4. RIGHT-OF-USE ASSET

		Camp
Asset under operating lease	**RO**	**₹ in '000s**
Cost		
Initial recognition as per IFRS 16 (Note 2.8)	**21,105**	**3,831**
As at 31st December, 2019	**21,105**	**3,908**
Accumulated depreciation		
As at 1st January, 2019	—	**—**
Depreciation for the year	**14,220**	**2,608**
As at 31st December, 2019	**14,220**	**2,633**
Net book value		
As at 31st December, 2019	**6,885**	**1,275**

Note:

As stated in Note No. 2.5 (r) to the financial statements, the aforesaid separate disclosures for assets under finance lease and operating leases is given for better presentation and understanding of the users of the financial statements, and the accounting treatment/policy for both the aforesaid categories is same as per IFRS 16.

5. CONTRACT AND OTHER RECEIVABLES

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Contract receivables*	**55,23,195**	34,73,336	**10,22,785**	6,30,410
Contract debtors billed on account of advances receivable for materials at sites	**4,839**	3,17,050	**896**	57,545
	55,28,034	37,90,386	**10,23,681**	6,87,955
Advance to staff	**3,704**	10,457	**686**	1,898
Deposits	**1,018**	1,018	**189**	185
Allowance for expected credit losses	**(13,17,440)**	**—**	**(2,43,964)**	**—**
	42,15,316	38,01,861	**7,80,592**	6,90,038
Classified as long term deposits	**(1,018)**	(1,018)	**(189)**	(185)
	42,14,298	38,00,843	**7,80,404**	6,89,853

* Contract receivables includes RO 16,206 (₹ 3.001 million) [Previous year: RO 6,935 (₹ 1.259 million)] receivable from a related party on account of trade dealings.

** Refer Note number 21 to these financial statements regarding credit risk exposures.

- The movement in the allowance for expected credit losses account is as follows:

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	—	—	—	—
Expected credit loss allowance made during the year as per IFRS 9	**13,17,440**	—	**2,41,539**	—
Closing balance	**13,17,440**	**—**	**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	Above 4 years	Above 5 years
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**
2018 - RO	34,73,336	5,61,936	16,38,793	12,48,456	9,151	—	15,000
2018 - ₹ in '000s	6,30,410	1,01,990	2,97,441	2,26,595	1,661	—	2,723

The Company uses an expected credit loss allowance model to measure the expected credit losses of contract receivables. Accordingly, allowance for ECL of RO 13,17,440 (₹ 243.964 million) which 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

	RO	As at 31-12-2018 RO	**₹ in '000s**	As at 31-12-2018 ₹ in '000s
Prepayments	**7,999**	16,378	**1,481**	2,972
Advance to suppliers *	**1,05,657**	4,48,686	**19,566**	81,437
	1,13,656	4,65,064	**21,047**	84,409

*Advance to suppliers includes RO 2,415 (₹ 0.447 million) [Previous year: RO 3,102 (₹ 0.563 million)] advance given to related parties.

7. CONTRACT ASSETS

		RO	As at 31-12-2018 RO	**₹ in '000s**	As at 31-12-2018 ₹ in '000s
(a)	Amounts due from customers for contract works	**55,72,342**	45,25,924	**10,31,887**	8,21,455
(b)	Retentions receivable	**18,27,294**	18,22,069	**3,38,378**	3,30,706
(c)	Accrued income *	**14,878**	21,702	**2,755**	3,939
	Less - Allowance for expected credit losses	—	(7,289)	—	(1,323)
	Less - Impairment of an amount due from a customer for contract work	**(3,53,472)**	(7,47,300)	**(65,456)**	(1,35,635)
		70,61,042	56,15,106	**13,07,564**	10,19,142
Disclosed as:					
Non-current contract assets		**—**	—	**—**	—
Current contract assets		**70,61,042**	56,15,106	**13,07,564**	10,19,142

*The Company has accrued income of RO 14,878 (₹ 2.755 million) [Previous year: RO 21,702 (₹ 3.939 million)] which has been fully billed to the customers subsequently. Accordingly, no allowance for ECL against accrued income is required as at 31st December, 2018. Accrued income includes RO 266 (₹ 0.049 million) to be billed to a related party on account of trade dealings.

- The movements in the allowance for ECL on contract assets is as follows:

	RO	As at 31-12-2018 RO	**₹ in '000s**	As at 31-12-2018 ₹ in '000s
Opening balance	**7,289**	—	**1,323**	—
Adjustments on initial application of IFRS 9	—	4,31,890	—	71,888
Allowance written back to statement of comprehensive income	**(7,289)**	(4,24,601)	**(1,336)**	(73,872)
Closing balance	**—**	7,289	**—**	1,323

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

7. CONTRACT ASSETS (contd)

- The movement in impairment of an amount due from a customer for contract work is as follows:

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	**7,47,300**	—	**1,35,635**	—
Impairment made during the year	—	7,47,300	—	1,30,015
Allowance written back to statement of comprehensive income as an exceptional item (refer Note 18)	**(3,93,828)**	—	**(72,204)**	—
Closing balance	**3,53,472**	7,47,300	**65,456**	1,35,635

8. CONTRACT IN PROGRESS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Contract costs incurred plus recognised profits less recognised losses	**3,11,73,913**	3,04,61,366	**57,15,425**	52,99,668
Progress billings	**2,56,01,571**	2,59,35,442	**46,93,792**	45,12,248
Advance on contracts	**20,31,656**	11,44,250	**3,76,222**	2,07,681
Retentions receivables	**14,50,979**	14,73,056	**2,68,692**	2,67,360

Refer to Note number 21 (iii) to these financial statements regarding unapproved variations.

9. CASH AND CASH EQUIVALENTS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Bank balance on current accounts	**810**	1,80,347	**150**	32,733
Bank smart card accounts	**1,480**	4,875	**274**	885
Cash on hand	**2,650**	1,878	**491**	341
	4,940	1,87,100	**915**	33,959

10. SHARE CAPITAL

			As at 31-12-2018		As at 31-12-2018
	Share %	**RO**	RO	**₹ in '000s**	₹ in '000s
Mustafa Sultan Enterprises L.L.C.	**35**	**1,75,000**	1,75,000	**32,406**	31,762
Voltas Netherlands B.V.	**65**	**3,25,000**	3,25,000	**60,184**	58,988
	100	**5,00,000**	5,00,000	**92,590**	90,750

The share capital comprises of 5,00,000 shares of face value RO 1 each, fully paid up.

11. BANK BORROWINGS

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Short term loan*	**5,00,000**	5,00,000	**92,590**	90,750
Bank overdrafts	**16,89,506**	12,47,102	**3,12,863**	2,26,349
Bills discounting	**13,68,002**	12,23,243	**2,53,327**	2,22,019
Loan against trust receipts	**9,64,291**	4,29,380	**1,78,567**	77,932
	45,21,799	33,99,725	**8,37,347**	6,17,050

Bank facilities are secured against:

*Short term loans of RO 500,000 (₹ 92.590 million) [Previous year: RO Nil (₹ Nil)] is from a related party, unsecured, @ 5% interest per annum and repayable on demand.

(a) Corporate guarantees from Members of the Company to cover project specific facilities and additional allocation under umbrella project specific facilities to three banks.

11. BANK BORROWINGS (contd.)

(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 contains several restrictive and financial covenants with regards to, routing of cash, reduction of general limits, minimum net worth, utilization of facilities, authorised contract receivables ageing to be provided every quarter, prior clearance from a bank required for new project funding, etc., Voltas Group's Management control should be with a shareholding of 51% or more and any change will require prior consent from banks.

12. CONTRACT AND OTHER PAYABLES

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Contract payables *	**44,79,816**	44,73,363	**8,29,573**	8,11,915
Accruals**	**8,40,146**	5,38,605	**1,55,578**	97,757
Provision for expenses during defect liability period	**38,106**	66,149	**7,056**	12,006
	53,58,068	50,78,117	**9,92,207**	9,21,678

*Contract payables include RO 12,49,822 (₹ 231.442 million) net [Previous year: RO 11,43,240 (₹ 207.498 million) net] due to related parties, RO 39,379 (₹ 7.292 million) [Previous year: RO 42,955 (₹ 7.796 million)] due to parent company and RO 2,43,399 (₹ 45.073 million) [Previous year: RO 1,76,659 (₹ 32.064 million)] due to ultimate parent company on account of trade dealings.

**Accruals include RO Nil (₹ Nil) [Previous year: RO 21,541 (₹ 3.910 million)] due to related parties, RO 6,213 (₹ 1.151 million) due to parent company and RO 16,563 (₹ 3.067 million) [Previous year: RO 6,589 (₹ 1.196 million)] due to member company.

The movement in provision for expenses during defect liability period account is as follows :

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	**66,149**	1,29,032	**12,006**	21,477
Provision made during the year	**34,920**	67,301	**6,402**	11,709
Written back to cost of works executed	—	(10,000)	—	(1,740)
Incurred and written off against provision during the year	**(62,963)**	(1,20,184)	**(11,544)**	(20,910)
Closing balance	**38,106**	66,149	**7,056**	12,006

13. REVENUE

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Contract revenue	**76,03,197**	89,65,267	**13,93,970**	15,59,777
Maintenance and service revenue	**71,302**	3,75,818	**13,072**	65,385
Trading revenue	**55,436**	—	**10,164**	—
	77,29,935	93,41,085	**14,17,206**	16,25,162

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.

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Time of revenue recognition				
At a point in time	**55,436**	—	**10,164**	—
Over a period of time	**76,74,499**	93,41,085	**14,07,042**	16,25,162
	77,29,935	93,41,085	**14,17,206**	16,25,162

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

14. COST OF WORKS EXECUTED

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Materials consumed and related expenses	**29,23,469**	45,46,449	**5,35,990**	7,90,991
Wages and related expenses	**27,81,065**	20,07,847	**5,09,881**	3,49,325
Depreciation on property, plant and equipment	**49,123**	45,849	**9,006**	7,977
Sub contract costs	**8,40,168**	10,69,235	**1,54,036**	1,86,026
Provision for expenses during defect liability period made	**34,920**	67,301	**6,402**	11,709
Provision for expenses during defect liability period reversed	—	(10,000)	—	(1,740)
Depreciation on right-of-use of asset	**14,220**	—	**2,607**	—
Other direct costs	**4,83,208**	5,29,898	**88,591**	92,192
TOTAL A	**71,26,173**	82,56,579	**13,06,513**	14,36,480
Maintenance projects, trading and service costs	**95,805**	2,89,113	**17,564**	50,299
Depreciation on property, plant and equipment	**—**	5	**—**	1
TOTAL B	**95,805**	2,89,118	**17,564**	50,300
Grand Total A+B	**72,21,978**	85,45,697	**13,24,077**	14,86,780

15. OTHER OPERATING INCOME

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Write back of allowances for expected credit loss	**7,289**	4,24,601	**1,336**	73,872
Miscellaneous income	**12,003**	9	**2,201**	2
	19,292	4,24,610	**3,537**	73,874

16. OTHER OPERATING EXPENSES

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Rent	**7,930**	10,800	**1,454**	1,879
Repairs and maintenance	**4,943**	1,436	**906**	250
Insurance	**140**	1,338	**26**	233
Electricity and water	**4,623**	4,627	**848**	805
Telephones, fax and postage	**9,069**	13,374	**1,663**	2,327
Travelling and conveyance	**7,720**	13,258	**1,415**	2,307
Tender charges	**8,807**	4,625	**1,615**	805
Vehicle expenses	**5,611**	10,945	**1,029**	1,904
Advertisement and business promotion expenses	**1,529**	1,603	**280**	279
Legal and professional charges	**12,050**	19,409	**2,029**	3,377
Miscellaneous expenses	**4,055**	16,435	**743**	2,858
	66,477	97,850	**12,188**	17,024

17. FINANCE COSTS

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Guarantee commission expenses	—	50,815	—	8,841
Interest on bank borrowings	**1,360**	9,328	**249**	1,623
Bank Charges	**2,504**	3,783	**459**	658
	3,864	63,926	**708**	11,122

18. EXCEPTIONAL ITEM

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Provision reversed / (made) for contract receivables and contract assets	**3,93,828**	(7,47,300)	**72,204**	(1,30,015)

In the previous year, the Company had made impairment on amount due from a customer for contract works done for RO 7,47,300 (₹ 130.015 million) namely for Carillion Alawi L.L.C., due to delays in certification against which RO 3,93,828 (₹ 72.204 million) has been certified in the current year.

19. 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 net profit for the year. Taxation has been provided at the applicable rate of 15% (Previous year: 15%) in accordance with the Income Tax Law in Oman. Taxation for the tax years 2014 to 2019 are subject to agreement with the Taxation Authority.

(b) The income tax expense as per the statement of comprehensive income comprises:

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Current tax				
Charge for the current year	**46,367**	37,516	**8,501**	6,527
Charge for the earlier years	**187**	—	**34**	—
Income tax expense	**46,554**	37,516	**8,535**	6,527

(c) The reconciliation between the income tax expense on the accounting net profit and income tax expense in the statement of comprehensive income is as follows:

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
Income tax credit on accounting net loss of RO 6,16,156 (₹ 112.965 million) [Previous year: tax on net profit of RO 79,587 (₹ 13.847 million)] at applicable tax rates	**(92,423)**	11,938	**(16,945)**	2,077
Add / Less tax effect of:				
Depreciation adjustment based on depreciation rates as per tax Income Tax Law	**1,469**	733	**270**	128
Provisions reversed (net of made and write offs) considered as deductible for income tax purposes	**(4,206)**	(23,967)	**(771)**	(4,170)
Expenses not considered as deductible expense for income tax purpose (net)	**423**	407	**78**	71
Allowance for expected credit losses made / (written back) not considered as deductible expense / taxable income for income tax purposes (net)	**1,96,522**	(63,690)	**36,030**	(11,081)
Net adjustment for leases	**7**	—	**1**	—
Exceptional item not considered as (taxable income) / a deductible expense for income tax purposes	**(59,074)**	1,12,095	**(10,831)**	19,502
Interest expense not considered as deductible expense for income tax purposes	**3,649**	—	**669**	—
	46,367	37,516	**8,501**	6,527

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

20. 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**	2018 Total	**Total**	2018 Total
	RO	**RO**	**RO**	**RO**	RO	**₹ in '000s**	₹ in '000s
Purchase of property, plant and equipment from	—	—	—	—	250	—	43
Purchases from	—	**74,916**	**14,837**	**89,753**	2,17,485	**16,455**	37,838
Expenses from	**9,974**	**34,319**	**1,07,575**	**1,51,868**	1,63,401	**27,843**	28,429
Miscellaneous income	—	—	**12,003**	**12,003**	—	**2,201**	—
Expenses to	—	—	**22,885**	**22,885**	7,657	**4,196**	1,332
Sub contract costs *	—	—	**28,706**	**28,706**	1,33,644	**5,263**	23,251
Short term loans taken	—	—	**5,00,000**	**5,00,000**	—	**91,670**	—
Interest expense	—	—	**24,329**	**24,329**	—	**4,460**	—

*Sub contract costs of RO 28,706 (₹ 5.263 million) 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.

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. 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 it 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 2019, 95.94% (Previous year: 88.36%) of current assets was due from two (Previous year: three) contract debtors. As at year end 2019, other than above, 11.52% (Previous year: 17.77%) of contract receivables was due from one (Previous year: one) contract debtor. As at year end 2019, other than above, 16.28% of contract retentions was due from one contract debtor.

21. FINANCIAL INSTRUMENTS (contd.)

Credit risk exposures

(i) As at the year end, contract receivables, retention and amounts due from customers for contract works done aggregating RO 31,73,830 (₹ 587.730 million) [Previous year: RO 26,42,157 (₹ 479.551 million)], including outstanding for more than one year of RO 15,82,749 (₹ 293.093 million) [Previous year: RO 5,24,875 (₹ 95.265 million)], are due from Carillion Alawi L.L.C. against which allowance for expected credit losses and impairment of an amount due from a customer for contract works aggregating to RO 11,58,038 (₹ 214.445 million) have been made. Though as per Company's records payments from Carillion Alawi L.L.C. have been delayed, in the opinion of the Company's Management, no further allowance for ECL is to be made against the same, as of the above dues RO 28,20,358 (₹ 522.274 million) are certified. The Company does not expect any material impact on its profitability and financial position, since collections were being received from Carillion Alawi L.L.C. till November 2019 and subsequently RO 50,000 (₹ 9.259 million) has also been received in February 2020. A proposal addressed to settle outstanding amounts is in the process of being signed with Carillion Alawi L.L.C.

(ii) Contract receivable and retention aggregating RO 8,15,106 (₹ 150.941 million) which are due for more than one year are due from Ghantoot Transport & General Contracting LLC. Further, contract receivable and retention aggregating RO 7,14,963 (₹ 132.397 million), including outstanding for more than one year of RO 4,17,351 (₹ 77.285 million), are due from Unique Contracting Co. L.L.C. against which allowance for expected credit losses of RO 3,72,170 (₹ 68.918 million) have been made. Though, as per Company's records payments from said debtors have been delayed, in the opinion of the Company's Management, no further allowance for expected credit losses is to be made against the same, as above dues are fully certified. The Company does not expect any material impact on its profitability and financial position as RO 2,00,000 (₹ 37.036 million) had been received from Unique Contracting Co. L.L.C. during 2019.

(iii) Amounts due from customers for contract works of RO 55,72,342 (₹ 1,031.886 million) [(Previous year: RO 45,25,924 (₹ 821.455 million)] and total contract values considered as per cost to completion exercise includes positive variations of RO 10,98,276 (₹ 203.379 million) [(Previous year: RO 19,65,267 (₹ 356.696 million)] and negative variation of RO 2,05,945 (₹ 38.137 million) [(Previous year: RO 17,000 (₹ 3.086 million)] are pending for approval from main contractor as these variations are due to re-measurement of contracts 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 engineers' 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.

(iv) Contract receivables includes certified receivable of RO 15,000 (₹ 2.778 million) [Previous year: RO 15,000 (₹ 2.723 million)] which is over 6 years old.

(v) As at the year end, uncertified contract receivable of RO 76,492 (₹ 14.165 million) [Previous year: RO 19,769 (₹ 3.588 million)] are in the process of being certified by the main contractor.

(vi) Deductions by main contractor not accounted (refer Note number 22 to these financial statements).

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% 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.

- **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**		2018		2018
		RO	RO	**₹ in '000s**	₹ in '000s
Parent company	Euros	**39,376**	42,955	**7,292**	7,796

(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, current tax liability, contract assets, bank borrowings, contract and other payables and advances from customers approximate their carrying amounts largely due to the short-term maturities of these instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

21. FINANCIAL INSTRUMENTS (contd.)

(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	**3 to 12 months**	**1 year to 5 years**	**More than 5 years**	**Total**	**Total**
	RO	**RO**	**RO**	**RO**	**RO**	**₹ in '000s**
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	**53,82,838**	**—**	**—**	**—**	**53,82,838**	**9,96,794**
Lease liability	**6,932**	**—**	**—**	**—**	**6,932**	**1,284**
Advances from customers	**20,31,656**	**—**	**—**	**—**	**20,31,656**	**3,76,222**
Current tax payable	**47,995**	**—**	**—**	**—**	**47,995**	**8,888**
	1,14,91,220	**5,00,000**	**1,11,261**	**—**	**1,21,02,481**	**22,41,138**
As at 31st December, 2018						
Staff end-of-service gratuity	—	—	1,32,832	—	1,32,832	24,110
Bank borrowings	33,99,725	—	—	—	33,99,725	6,17,050
Contract and other payables	50,78,117	—	—	—	50,78,117	9,21,678
Advances from customers	14,82,028	—	—	—	14,82,028	2,68,988
Current tax payable	39,144	—	—	—	39,144	7,105
	99,99,014	—	1,32,832	—	1,01,31,846	18,38,931

22. DEDUCTIONS NOT ACCOUNTED

		2018		2018
	RO	RO	**₹ in '000s**	₹ in '000s
(a) Contra charges deducted by main contractor namely Carillion Alawi L.L.C.	**3,57,214**	3,53,602	**65,492**	61,520
Contra charges accounted by the Company	**(1,03,935)**	(1,03,935)	**(19,055)**	(18,083)
Contra charges against the Company not accounted	**2,53,279**	2,49,667	**46,437**	43,437

As at the year end, contra charges amounting to RO 2,53,279 (₹ 46.437 million) [Previous year: RO 2,49,667 (₹ 43.437 million)] (net) have been deducted by a main contractor namely Carillion Alawi L.L.C. from its payments to the Company, which have not been accepted by the Company. These contra charges would be accepted by the Company only if main contractor accepts the contra charges charged by Company on the same main contractor for a similar amount. Accordingly, as per Company's Management there will be no material financial impact on the Company's profitability and financial position on account of the same.

(b) As at the previous year end, complaints and snags amounting to RO 2,12,250 (₹ 38.914 million) had been deducted by a main contractor (Carillion Alawi L.L.C.) from its payments to the Company, which had not been accounted by the Company. This amount was held by the main contractor and has been progressively released.

23. OPERATING LEASE COMMITMENTS

The Company has entered into operating leases for 10 years. The total of the future lease payment is as follows:

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Not later than one year	**—**	3,960	**—**	689
Between one and five years	**—**	15,840	**—**	2,756
Later than five years	**—**	—	**—**	—
	—	19,800	**—**	3,445

The operating lease commitment as at the current year end are not disclosed as these have been accounted as lease liability in statement of financial position as per the new IFRS 16 on leases.

24. COVID-19 event occurring after the reporting period

The COVID-19 outbreak in Sultanate of Oman and the world, and various pro-active remedial measures adopted by the Governments (viz. travel ban, lockdown, social distancing, etc.) have created significant uncertainties about future scenarios that are likely to adversely impact the world and Oman economy, and consequently may create risk of material adjustment to the carrying value of Company's assets and liabilities recognised in its statement of financial position as at the year end. As per Company's Management, the COVID-19 is a non-adjusting subsequent event whose impact on the Company's financial statements cannot be estimated at the present stage, and in spite of the challenges the Company will continue as a going concern in future

25. CONTINGENT LIABILITIES

		As at 31-12-2018		As at 31-12-2018
	RO	RO	**₹ in '000s**	₹ in '000s
Acceptances	**1,78,482**	2,88,285	**33,051**	52,324
Banker's letter of guarantee	**26,58,718**	37,52,575	**4,92,341**	6,81,092
Banker's letters of credit	**4,10,360**	6,53,208	**75,990**	1,18,557
	32,47,560	46,94,068	**6,01,382**	8,51,973

Bank facilities are secured against securities and several restrictive and financial covenants mentioned in Note number 11 to these financial statements.

26. 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
K. Prabhakar
Rajeev Sharma

Muscat, 19th May, 2020

VOLTAS QATAR W.L.L.

Directors:
Anil George
A. R. Suresh Kumar
Manish Desai *(w.e.f. 27th January, 2020)*
Dhulipala Srinivas Murthy *(w.e.f. 27th January, 2020)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present the Eighth Annual Report and Accounts for the year ended 31st December, 2019.

2. The on-going economic embargo in Qatar had an adverse impact on the performance of the Company, resulting into lower turnover of QR (Qatari Riyals) 43.051 million for the year ended 31st December, 2019, as compared to QR 133.717 million in the previous year. Net Profit was also lower at QR 16.763 million, as compared to QR 38.152 million in the previous year. Nevertheless, the Company has during the year under review, booked two major orders aggregating QR 624 million. The overall order book position as at 31st December. 2019, was QR 649.573 million.

3. With a view to conserve resources, the Directors do not recommend any dividend for the year ended 31st December, 2019 (Previous year: Nil).

4. Mr. Manish Desai and Mr. Dhulipala Srinivas Murthy were appointed as Directors of the Company with effect from 27th January, 2020, in place of Mr. E. C. Prasad and Mr. K. Visweswaran, respectively. The Directors placed on record their appreciation of the valuable contributions made by Mr. E. C. Prasad and Mr. K. Visweswaran during their respective tenure on the Board.

5. 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
Directors

Doha, Qatar, 17th May, 2020

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, 2019, 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, 2019, 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

Walid Slim
Partner
License No. 319

Doha, Qatar, 27th May, 2020

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2019

	Notes	QR	As at 31-12-2018 QR	₹ in '000s	As at 31-12-2018 ₹ in '000s
ASSETS					
CURRENT ASSETS					
Cash and bank balances	5	**8,05,14,266**	2,80,03,001	**15,68,418**	5,37,658
Accounts receivable	6	**4,31,92,889**	2,05,96,658	**8,41,397**	3,95,456
Retentions receivable	7	**3,20,46,397**	3,66,65,431	**6,24,264**	7,03,976
Contract assets	8(a)	**73,29,877**	5,80,35,514	**1,42,786**	11,14,282
Prepayments and other assets		**1,33,093**	84,118	**2,593**	1,615
Deferred tax	19(c)	**7,78,000**	20,78,251	**15,155**	39,902
Advances and other receivables		**58,25,377**	79,13,968	**1,13,478**	1,51,948
Total current assets		**16,98,19,899**	15,33,76,941	**33,08,091**	29,44,837
NON-CURRENT ASSETS					
Retentions receivable	7	**2,99,60,769**	2,84,88,030	**5,83,636**	5,46,970
Property and equipment	9	**1,35,397**	1,74,853	**2,638**	3,357
Intangible assets	10	**32,176**	32,176	**627**	618
Contract assets	8	**75,82,634**	1,03,10,972	**1,47,710**	1,97,971
Total non-current assets		**3,77,10,976**	3,90,06,031	**7,34,611**	7,48,916
Total assets		**20,75,30,875**	19,23,82,972	**40,42,702**	36,93,753
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Bank loans	11	**2,53,27,700**	3,63,50,000	**4,93,384**	6,97,920
Trade and other payables	12	**2,47,10,705**	4,68,79,622	**4,81,365**	9,00,089
Advances from customers		**6,92,84,504**	4,10,75,173	**13,49,662**	7,88,643
Contract liabilities	8(b)	**1,23,21,953**	—	**2,40,032**	—
Due to related parties	13(a)	**2,25,03,956**	2,85,78,336	**4,38,377**	5,48,704
Provision for anticipated losses		**1,00,388**	1,18,450	**1,956**	2,274
Income tax payable	19(a)	**5,95,039**	31,58,298	**11,591**	60,639
Total current liabilities		**15,48,44,245**	15,61,59,879	**30,16,367**	29,98,269
NON-CURRENT LIABILITIES					
Employees' end-of-service benefits	14	**10,22,274**	13,22,014	**19,913**	25,383
Total liabilities		**15,58,66,519**	15,74,81,893	**30,36,280**	30,23,652
EQUITY					
Share capital	1	**10,00,000**	10,00,000	**19,480**	19,200
Legal reserve	15	**5,00,000**	5,00,000	**9,740**	9,600
Retained earnings		**5,01,64,356**	3,34,01,079	**9,77,202**	6,41,301
Total equity		**5,16,64,356**	3,49,01,079	**10,06,422**	6,70,101
Total liabilities and equity		**20,75,30,875**	19,23,82,972	**40,42,702**	36,93,753

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

Note: The Statement of financial position has been converted into Indian Rupees @ 1 Qatari Riyal (QR) = ₹ 19.48, being the exchange rate prevailing as on 31st December, 2019. Previous year figures have been converted @ 1 QR = 19.20, being the exchange rate prevailing as on 31st December, 2018.

Directors **A. R. Suresh Kumar**

Doha, 17th May, 2020 **Dhulipala Srinivas Murthy**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Notes	QR	2018 QR	₹ in '000s	2018 ₹ in '000s
REVENUE		**4,30,51,442**	13,37,16,780	**8,32,615**	24,61,726
Cost of services and other direct costs	16	**(3,52,55,538)**	(10,14,08,714)	**(6,81,842)**	(18,66,934)
GROSS PROFIT		**77,95,904**	3,23,08,066	**1,50,773**	5,94,792
Other income	17	**1,78,26,910**	1,30,13,307	**3,44,772**	2,39,575
General and administrative expenses	18	**(50,51,885)**	(12,27,585)	**(97,703)**	(22,600)
Finance costs		**(19,96,736)**	(15,57,732)	**(38,617)**	(28,678)
PROFIT BEFORE INCOME TAX		**1,85,74,193**	4,25,36,056	**3,59,225**	7,83,089
Income tax	19(b)	**(18,10,916)**	(43,83,609)	**(35,023)**	(80,702)
PROFIT FOR THE YEAR		**1,67,63,277**	3,81,52,447	**3,24,202**	7,02,387
Other comprehensive income		**—**	—	**—**	—
Total comprehensive income for the year		**1,67,63,277**	3,81,52,447	**3,24,202**	7,02,387

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

Note: The Profit and Loss Account has 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). Previous year figures have been converted into Indian Rupees @ 1 QR = ₹ 18.41, being the average of the exchange rates prevailing as on 31st December, 2017 (1 QR = ₹ 17.61) and as on 31st December, 2018 (1 QR = ₹ 19.20).

Directors **A. R. Suresh Kumar**

Doha, 17th May, 2020 **Dhulipala Srinivas Murthy**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Share capital		**Legal reserve**		**Retained earnings**		**Total**	
	QR	**₹ in '000s**	**QR**	**₹ in '000s**	**QR**	**₹ in '000s**	**QR**	**₹ in '000s**
Balance at 1st January, 2018 – Restated	10,00,000	17,610	5,00,000	8,806	(47,51,368)	(83,672)	(32,51,368)	(57,256)
Total comprehensive income for the year	—	—	—	—	3,81,52,447	7,02,387	3,81,52,447	7,02,387
Balance at 31st December, 2018	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**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2019

		2018		2018
	QR	QR	**₹ in '000s**	₹ in '000s
OPERATING ACTIVITIES				
Profit before income tax	**1,85,74,193**	4,25,36,056	**3,59,225**	7,83,089
Adjustments for:				
Depreciation of property and equipment	**98,422**	2,04,787	**1,903**	3,770
Amortisation of intangible assets	**—**	9,767	**—**	180
Profit on sale of property and equipment, net	**(5,243)**	(42,138)	**(101)**	(776)
Provisions for employees' end-of-service benefits	**2,96,076**	1,60,260	**5,726**	2,950
Reversal of loss allowance – Contract assets	**(1,69,47,083)**	(1,04,69,722)	**(3,27,757)**	(1,92,748)
Provision for loss allowance – accounts receivable	**14,65,487**	—	**28,343**	—
Provision for loss allowance – retentions receivable	**20,85,628**	—	**40,336**	—
Finance cost	**19,96,736**	15,57,732	**38,617**	28,678
	75,64,216	3,39,56,742	**1,46,292**	6,25,143
Movements in working capital:				
Accounts receivable	**(2,40,61,718)**	(13,68,738)	**(4,74,489)**	(56,852)
Contract assets	**7,03,81,058**	1,35,80,402	**13,45,887**	96,414
Retentions receivable	**10,60,667**	(1,24,46,964)	**2,419**	(3,22,785)
Prepayments and other assets	**(48,975)**	1,43,825	**(978)**	2,399
Advances and other receivables	**20,88,591**	1,48,63,964	**38,470**	2,49,171
Inventories	**—**	50,22,666	**—**	88,449
Trade and other payables	**(2,22,98,971)**	(4,72,84,598)	**(4,21,294)**	(7,58,349)
Advances from customers	**2,82,09,331**	(3,27,57,004)	**5,61,019**	(5,11,541)
Contract liabilities	**1,23,21,953**	—	**2,40,032**	—
Due to related parties	**(60,74,380)**	1,88,75,431	**(1,10,327)**	3,77,836
Cash generated from / (used in) operations	**6,91,41,772**	(74,14,274)	**13,46,882**	(1,42,354)
Employees' end-of-service benefits paid	**(5,95,816)**	(5,20,787)	**(11,523)**	(9,588)
Income tax paid	**(30,73,924)**	(11,60,780)	**(59,450)**	(21,370)
Finance cost paid	**(18,66,682)**	(14,28,158)	**(36,102)**	(26,292)
Reversal of anticipated loss	**(18,062)**	(10,58,514)	**(349)**	(19,488)
Net cash generated from / (used in) operations	**6,35,87,288**	(1,15,82,513)	**12,38,680**	(2,22,384)
INVESTING ACTIVITIES				
Additions to plant and equipment	**(62,231)**	(8,955)	**(1,204)**	(165)
Proceeds from disposal of plant and equipment	**8,508**	85,700	**165**	1,578
Net cash (used in) / generated from investing activities	**(53,723)**	76,745	**(1,047)**	1,474
FINANCING ACTIVITY				
Net movement in bank loans	**(1,10,22,300)**	99,45,761	**(2,04,536)**	2,32,941
Net cash (used in) / generated from financing activity	**(1,10,22,300)**	99,45,761	**(2,14,714)**	1,90,959
Net increase / (decrease) in cash and cash equivalents	**5,25,11,265**	(15,60,007)	**10,30,760**	17,053
Cash and cash equivalents at the beginning of the year	**2,80,03,001**	2,95,63,008	**5,37,658**	5,20,605
Cash and cash equivalents at the end of the year (Note 5)	**8,05,14,266**	2,80,03,001	**15,68,418**	5,37,658

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

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	9,935
Voltas Netherlands B.V.	97%	49%	4,90,000	9,545
	100%	**100%**	**10,00,000**	**19,480**

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

In the current year, the Company, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1st January. 2019.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1st January, 2019. The change in definition of a lease mainly relates to the concept of control.

IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1st January, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

Applying IFRS 16, for all leases (except as noted below), the Company:

(a) recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

Financial impact of initial application of IFRS 16

The adoption of IFRS 16 did not have any financial impact on the financial statements of the Company as all the lease agreements of the Company were considered as short term leases and the Company continued to record rental expense on straight line basis over the period of contract.

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, 2019, have been adopted in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities* The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1st January, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	1st January, 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures:* Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1st January, 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs* *The Annual Improvements include amendments to four Standards.*	1st January, 2019
IAS 12 Income Taxes The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	1st January, 2019

New and revised IFRSs	**Effective for annual periods beginning on or after**
IAS 23 Borrowing costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1st January, 2019
IFRS 3 Business Combinations The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1st January, 2019
IFRS 11 Joint Arrangements The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	1st January, 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	1st January, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: ● Whether tax treatments should be considered collectively; ● Assumptions for taxation authorities' examinations; ● The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and ● The effect of changes in facts and circumstances.	1st January, 2019

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.

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**
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, '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.	1st January, 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated 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 output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	1st January, 2020
Amendments to *References to the Conceptual Framework in IFRS Standards* Amendments to References to the Conceptual Framework in IFRS Standards related 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 SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1st January, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 – Financial Instruments Amendments regarding pre-replacement issues in the context of IBOR reform.	1st January, 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1st January, 2023.	1st January, 2023
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

(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.

(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 risk 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 derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

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 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 (Policy applicable from 1st January, 2019)

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.

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 a mount 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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

- 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, IFRS16 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.

Leases under IAS 17, applicable before 1st January, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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.

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 revenue 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.

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

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 (PO). 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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (contd.)

Going concern

The Company's Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue a going concern. Therefore, the financial statements are prepared on a going concern basis.

(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 37,49,742 (₹ 72.520 million) 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.

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 31-12-2018		As at 31-12-2018
	QR	QR	**₹ in '000s**	₹ in '000s
Cash on hand	**42,275**	28,637	**824**	550
Current account	**7,29,71,991**	1,54,74,364	**14,21,494**	2,97,108
Term deposit	**75,00,000**	1,25,00,000	**1,46,100**	2,40,000
	8,05,14,266	2,80,03,001	**15,68,418**	5,37,658

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 31-12-2018		As at 31-12-2018
	QR	QR	**₹ in '000s**	₹ in '000s
Accounts Receivable	**4,46,58,376**	2,05,96,658	**8,69,945**	3,95,456
Loss allowance	**(14,65,487)**	—	**(28,548)**	—
	4,31,92,889	2,05,96,658	**8,41,397**	3,95,456

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 14,65,487 (₹ 28.548 million) [as at 31st December, 2018: QR Nil (Nil)].

The average credit period is 60 days. No interest is charged on the overdue receivables.

The loss allowance as at 31st December, 2019 and 31st December, 2018 was determined for accounts receivable as follows

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**

31st December, 2018	Less than 60 days	61 - 360 days	Over 360 days	Total	Total
	QR	QR	QR	QR	₹ in '000s
Expected credit loss rate	—	—	—	—	—
Estimated total gross carrying amount at default	1,28,20,332	27,35,715	50,40,611	2,05,96,658	3,95,456
Lifetime ECL	—	—	—	—	—
				2,05,96,658	3,95,456

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

(b) Estimates (contd.)

Movement in loss allowance

	2019	2018	**2019**	2018
	QR	QR	**₹ in '000s**	₹ in '000s
Balance as at 1st January	—	—	—	—
Loss allowance during the year	**14,65,487**	—	**28,343**	—
Balance as at 31st December	**14,65,487**	**—**	**28,548**	**—**

7. RETENTION RECEIVABLES

		As at 31-12-2018		As at 31-12-2018
	QR	QR	**₹ in '000s**	₹ in '000s
Retention receivables	**6,40,92,794**	6,51,53,461	**12,48,528**	12,50,946
Less - Loss allowance	**(20,85,628)**	—	**(40,628)**	—
	6,20,07,166	6,51,53,461	**12,07,900**	12,50,946
Analysed as:				
Short term	**3,20,46,397**	3,66,65,431	**6,24,264**	7,03,976
Long term	**2,99,60,769**	2,84,88,030	**5,83,636**	5,46,970
	6,20,07,166	6,51,53,461	**12,07,900**	12,50,946

Retention receivables 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 retention receivables at an amount equal to lifetime expected credit losses (ECL) using the simplified approach. The expected credit losses on retention receivables 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 retention receivables, the Company considers any change in the credit quality of the retention receivables 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 31-12-2018		As at 31-12-2018
	QR	QR	**₹ in '000s**	₹ in '000s
Cost plus attributable profits less losses, if any	**1,02,85,17,454**	97,89,39,754	**2,00,35,520**	1,87,95,644
Add: Invoice over cost plus attributable profits less losses, if any	**1,23,21,951**	—	**2,40,032**	—
Less: Progress billings	**(1,02,14,48,704)**	(88,91,67,995)	**(1,98,97,821)**	(1,70,72,026)
	1,93,90,701	8,97,71,759	**3,77,731**	17,23,618
Loss allowance	**(44,78,190)**	(2,14,25,273)	**(87,235)**	(4,11,365)
	1,49,12,511	6,83,46,486	**2,90,496**	13,12,253
Classified as:				
Short term	**73,29,877**	5,80,35,514	**1,42,786**	11,14,282
Long term	**75,82,634**	1,03,10,972	**1,47,710**	1,97,971
Total	**1,49,12,511**	6,83,46,486	**2,90,496**	13,12,253

8.A. CONTRACT ASSETS (contd.)

Set out is the movement in the allowance for expected credit losses of contract assets:

	QR	As at 31-12-2018 QR	₹ in '000s	As at 31-12-2018 ₹ in '000s
At 1st January	**2,14,25,273**	—	**4,11,365**	—
Adjustment upon application of IFRS 9	—	3,18,94,995	—	5,61,671
Balance at 1st January, 2018 - As restated	**2,14,25,273**	3,18,94,995	**4,11,365**	5,61,671
Reversal of provision for impairment loss	**(1,69,47,083)**	(1,04,69,722)	**(3,27,757)**	(1,92,748)
At 31st December	**44,78,190**	2,14,25,273	**87,235**	4,11,365

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 a 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 31-12-2018 QR	₹ in '000s	As at 31-12-2018 ₹ in '000s
Value of work performed	**28,99,51,106**	—	**56,48,248**	—
Less: Progress billings	**(30,22,73,059)**	—	**(58,88,279)**	—
	(1,23,21,953)	—	**(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 31-12-2018 QR	₹ in '000s	As at 31-12-2018 ₹ in '000s
Classified as:				
Short term	**1,23,21,953**	—	**2,40,032**	—
Long term	—	—	—	—
Total	**1,23,21,953**	—	**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, 2018	6,36,700	11,212	10,80,873	19,034	4,21,974	7,431	2,41,271	4,249	23,80,818	41,926
Additions during the year	—	—	—	—	8,955	165	—	—	8,955	165
Disposals during the year	(4,81,200)	(8,859)	(3,26,270)	(6,006)	(26,130)	(481)	—	—	(8,33,600)	(15,346)
At 31st December, 2018	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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

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, 2018	5,98,738	10,544	9,02,276	15,889	3,83,818	6,759	81,739	1,439	19,66,571	34,631
Charge for the year	6,126	113	89,638	1,650	29,724	547	79,299	1,460	2,04,787	3,770
Disposals during the year	(4,57,140)	(8,416)	(3,10,291)	(5,712)	(22,607)	(416)	—	—	(7,90,038)	(14,544)
At 31st December, 2018	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**
Carrying value										
At 31st December, 2019	**6,276**	**122**	**52,605**	**1,025**	**44,959**	**876**	**31,557**	**615**	**1,35,397**	**2,638**
At 31st December, 2018	7,776	150	72,980	1,401	13,864	266	80,233	1,540	1,74,853	3,357

10. INTANGIBLE ASSETS

		As at 31-12-2018		As at 31-12-2018
Software	**QR**	QR	**₹ in '000s**	₹ in '000s
Cost				
At 1st January	**6,43,518**	6,43,518	**12,356**	11,332
Additions during the year	—	—	—	—
At 31st December	**6,43,518**	6,43,518	**12,536**	12,356
Accumulated amortisation				
At 1st January	**6,11,342**	6,01,575	**11,738**	10,593
Charge for the year	—	9,767	—	180
At 31st December	**6,11,342**	6,11,342	**11,909**	11,738
Carrying value				
At 31st December	**32,176**	32,176	**627**	618

Amortisation of intangible assets is calculated using the straight-line method over the term of the project.

11. BANK LOANS

This represents short-term facility from local bank at a profit rate of Libor + 1.6 % (2018: Libor + 1.6 %) per annum, rolled over every year. No collateral or liens are existing against these facilities.

12. TRADE AND OTHER PAYABLES

		As at 31-12-2018		As at 31-12-2018
	QR	QR	**₹ in '000s**	₹ in '000s
Trade payables	**1,14,48,158**	1,88,28,464	**2,23,011**	3,61,507
Accruals and other liabilities	**23,32,811**	1,48,77,521	**45,443**	2,85,649
Retentions payable	**1,04,26,544**	1,24,73,044	**2,03,109**	2,39,482
Leave salary	**5,03,192**	7,00,593	**9,802**	13,451
	2,47,10,705	4,68,79,622	**4,81,365**	9,00,089

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

		As at 31-12-2018		As at 31-12-2018
	QR	QR	**₹ in '000s**	₹ in '000s
Hamad and Mohamad Al Futtaim	**3,03,344**	55,14,929	**5,910**	1,05,886
Voltas Limited – Qatar Branch	**2,15,24,414**	2,19,22,735	**4,19,296**	4,20,917
Lalbuksh Voltas	**85,856**	—	**1,672**	—
Weathermaker Limited	**6,683**	—	**130**	—
Voltas Netherlands B.V.	**5,41,488**	9,90,974	**10,548**	19,027
Voltas Limited –Head office	**42,171**	1,49,698	**821**	2,874
	2,25,03,956	2,85,78,336	**4,38,377**	5,48,704

(b) Related party transactions

		2018		2018
	QR	QR	**₹ in '000s**	₹ in '000s
Purchases of raw materials	—	1,31,793	—	2,426
Manpower costs	**2,54,04,828**	4,25,21,846	**4,91,329**	7,82,827
Subcontract costs	**48,45,933**	—	**93,720**	—
General expenses	**64,70,130**	87,88,883	**1,25,132**	1,61,803

14. EMPLOYEES' END-OF-SERVICE BENEFITS

		As at 31-12-2018		As at 31-12-2018
	QR	QR	**₹ in '000s**	₹ in '000s
Balance at 1st January	**13,22,014**	16,82,541	**25,383**	29,630
Provided during the year	**2,96,076**	1,60,260	**5,726**	2,950
End-of-service benefits paid	**(5,95,816)**	(5,20,787)	**(11,523)**	(9,588)
Balance at 31st December	**10,22,274**	13,22,014	**19,913**	25,383

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

		2018		2018
	QR	QR	**₹ in '000s**	₹ in '000s
Cost of materials	**75,49,929**	6,23,62,234	**1,46,015**	11,48,088
Manpower costs	**2,25,52,689**	3,06,33,100	**4,36,169**	5,63,955
Subcontract costs	**33,45,740**	69,72,459	**64,707**	1,28,363
(Reversal) / provision for anticipated losses	**(18,062)**	(10,58,514)	**(349)**	(19,487)
Site office maintenance	**3,12,096**	4,76,668	**6,036**	8,775
Depreciation of plant and equipment (Note 9)	**98,422**	2,04,787	**1,903**	3,770
Printing and stationery	**2,47,053**	3,10,743	**4,778**	5,721
Amortisation of intangible assets (Note 10)	—	9,767	—	180
Transportation costs	**3,15,448**	4,24,705	**6,101**	7,819
Communication costs	**5,66,345**	3,66,098	**10,953**	6,740
Other direct costs	**2,85,878**	7,06,667	**5,529**	13,010
	3,52,55,538	10,14,08,714	**6,81,842**	18,66,934

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

17. OTHER INCOME

	QR	2018 QR	₹ in '000s	2018 ₹ in '000s
Reversal of provision for impairment loss on contract assets (Note 8)	**1,69,47,083**	1,04,69,722	**3,27,756**	1,92,748
Profit on sale of fixed assets	**5,243**	42,138	**101**	776
Back charge income	—	7,28,551	—	13,412
Scrap sales	**3,25,424**	8,81,295	**6,294**	16,225
Miscellaneous income	**5,49,160**	8,91,601	**10,621**	16,414
	1,78,26,910	1,30,13,307	**3,44,772**	2,39,575

18. GENERAL AND ADMINISTRATIVE EXPENSES

	QR	2018 QR	₹ in '000s	2018 ₹ in '000s
Services charges	**1,15,692**	4,81,095	**2,237**	8,857
Professional fees	**2,18,257**	3,83,968	**4,220**	7,069
Exchange loss	**56,273**	—	**1,088**	—
Provision for loss allowance – accounts receivable	**14,65,487**	—	**28,343**	—
Provision for loss allowance – retentions receivable	**20,85,628**	—	**40,336**	—
Registration and licenses	**44,674**	1,01,902	**864**	1,876
Vehicle maintenance	**23,361**	40,017	**452**	737
Miscellaneous expenses	**7,71,647**	23,411	**14,924**	431
Air passage and conveyance	**2,70,866**	1,97,192	**5,239**	3,630
	50,51,885	12,27,585	**97,703**	22,600

19. INCOME TAX

		QR	2018 QR	₹ in '000s	2018 ₹ in '000s
(a)	Profit for the year before income tax	**1,85,74,193**	4,25,36,056	**3,59,225**	7,83,089
	Adjustments for:				
	Depreciation charged in excess of income tax rates	**15,686**	21,219	**303**	391
	Reversal of provision for impairment loss on contract assets (Note 8)	**(1,31,17,954)**	(1,04,69,722)	**(2,53,701)**	(1,92,748)
	(Reversal) / provision for anticipated losses	—	(10,58,514)	—	(19,488)
	Gain on disposal of property and equipment	**(5,243)**	(42,138)	**(101)**	(776)
	Non-deductible expense and adjustments	**6,20,674**	15,72,869	**12,004**	28,957
	Taxable income	**60,87,356**	3,25,59,770	**1,17,730**	5,99,425
	Income tax expense at 10%	**6,08,736**	32,55,977	**11,773**	59,943
	Share in taxes of foreign partner at 97.75% to be paid to Income Tax Department (Note 1)	**5,95,039**	31,58,298	**11,508**	58,144

19. INCOME TAX (contd.)

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:

		2018		2018
	QR	QR	**₹ in '000s**	₹ in '000s
(b) Current income tax:				
Current year tax expense	**5,95,039**	31,58,298	**11,508**	58,144
Prior year income tax adjustment	**(84,374)**	2,09,747	**(1,632)**	3,861
Deferred income tax:				
Deferred tax adjustment	**13,00,251**	10,15,764	**25,147**	18,697
Income tax expense reported in the statement of comprehensive income	**18,10,916**	43,83,609	**35,023**	80,702

(c) Deferred income tax

The tax effects of temporary differences that resulted in significant portions of the deferred tax assets as of 31st December, 2019 are as follows

		2018		2018
	QR	QR	**₹ in '000s**	₹ in '000s
Deferred tax assets:				
Allowance for impairment of contract assets - upon application of IFRS 9	**79,59,079**	2,14,25,273	**1,55,043**	4,11,365
Effective tax rates	**10%**	10%	**10%**	10%
Tax effect	**7,95,908**	21,42,527	**15,504**	41,137
Share in tax of foreign partner at 97.75%	**7,78,000**	20,78,251	**15,155**	39,902

Movements in the deferred tax asset are as follows:

	QR	QR	**₹ in '000s**	₹ in '000s
At 1st January, 2019	**20,78,251**	—	**39,902**	—
Remeasurement of deferred tax - upon application of IFRS 9	**—**	30,93,815	**—**	54,482
Temporary differences for the year	**(13,00,251)**	(10,15,564)	**(25,147)**	(18,697)
At 31st December, 2019	**7,78,000**	20,78,251	**15,155**	39,902

20. CONTINGENCIES

		2018		2018
	QR	QR	**₹ in '000s**	₹ in '000s
Performance bonds	**11,75,99,693**	5,49,20,000	**22,90,842**	10,54,464
Advance payment guarantees	**6,11,85,000**	53,28,106	**11,91,884**	1,02,300
Letters of credit	**5,86,218**	75,14,926	**11,420**	1,44,287

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

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	3,68,24,000	1,84,12,000	3,58,666
Accounts receivables	5,25,36,747	2,62,68,374	5,11,708
Retentions receivables	3,05,41,482	1,52,70,741	2,97,474
Prepayments and other assets	7,777	3,889	76
Advances paid	46,16,349	23,08,174	44,963
Total current assets	**12,45,26,355**	**6,22,63,178**	**12,12,887**
Non-current assets			
Retentions receivables	3,05,41,482	1,52,70,741	2,97,474
Plant and equipment	75,775	37,887	738
Intangible assets	64,351	32,176	627
Total non-current assets	**3,06,81,607**	**1,53,40,804**	**2,98,839**
Total assets	**15,52,07,962**	**7,76,03,982**	**15,11,726**
Current liabilities			
Trade and other payables	2,52,00,928	1,26,00,464	2,45,457
Contract liabilities	2,46,43,905	1,23,21,953	2,40,032
Due to related parties	32,83,787	16,41,894	31,984
Advance from a customer	62,83,514	31,41,757	61,201
Total liabilities	**5,94,12,134**	**2,97,06,068**	**5,78,674**
Retained earnings	9,57,95,828	4,78,97,914	9,33,052
Total liabilities and retained earnings	**15,52,07,962**	**7,76,03,982**	**15,11,726**
Statement of profit or loss			
Contract revenue	10,61,15,464	5,30,57,732	10,26,137
Contract cost	(7,44,28,549)	(3,72,14,275)	(7,19,724)

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.

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 receivables. 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 99,837 (₹ 1.945 million) [2018: QR 77,887 (₹ 1.495 million)].

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 (contd.)

23. FINANCIAL RISK MANAGEMENT (contd.)

At 31st December, 2019

	Weighted average effective interest rate	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**	**Total**
	%	**QR**	**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**
		7,75,42,361	—	—	—	**7,75,42,361**	**14,13,126**

At 31st December, 2018

	Weighted average effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total
	%	QR	QR	QR	QR	QR	₹ in '000s
Bank loan	Libor + 1.6%	3,63,50,000	—	—	—	3,63,50,000	6,97,920
Trade and other payables	—	4,68,79,622	—	—	—	4,68,79,622	9,00,089
Due to Related parties	—	2,85,78,337	—	—	—	2,85,78,337	5,48,704
		11,18,07,959	—	—	—	11,18,07,959	21,46,713

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. EVENTS AFTER THE REPORTING PERIOD

The rapid spread of the coronavirus disease 2019 ("COVID-19") across the globe is causing disruptions to businesses and economic activity. The Company considers this event to be a non-adjusting event after the reporting period and therefore has not made any adjustments to the financial statements as a result of this matter.

Management will continue to monitor the situation closely and will assess impact on the estimates for expected credit loss model and going concern on its financial statements in future period.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by Management of the Company and authorized for issue on 17th May, 2020.

Directors **A. R. Suresh Kumar**

Doha, 17th May, 2020 **Dhulipala Srinivas Murthy**

VOLTAS NETHERLANDS B.V.

Directors :

Anil George *(w.e.f 23rd April, 2019)*
Sandra Appleman ***(****Representative of TMF Management B.V.)*

DIRECTORS' REPORT

TO THE MEMBERS

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

2. The Company has reported profit of Euro 1.329 million for the year ended 31st March, 2020 as compared to Euro 2.253 million due to lower dividend income earned from participations.

3. The Directors had declared an interim dividend of Euro 1.300 million in July 2019 out of Retained Earnings. The Directors do not recommend any final dividend for the year ended 31st March, 2020. Thus, the interim dividend of Euro 1.300 million is to be treated as final dividend for the year ended 31st March, 2020 (Previous year: Euro 2.000 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

Sandra Appelman

Amsterdam, 18th May, 2020

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, 2020 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, 2020 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, 2020.
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, 2020, 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 a 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.
24th April, 2020

PKF Wallast
Drs. E. Bakker RA

BALANCE SHEET AS AT 31ST MARCH, 2020

	Euro	As at 31-3-2019 Euro	₹ in '000s	As at 31-3-2019 ₹ in '000s
SOURCES OF FUNDS				
Share Capital	**6,18,729**	6,18,729	**51,478**	48,069
Reserves and Surplus	**69,03,740**	68,74,520	**5,74,391**	5,34,081
Total Shareholders' Funds	**75,22,469**	74,93,249	**6,25,869**	5,82,150
APPLICATION OF FUNDS				
Participations (at cost)				
Saudi Ensas Company for Engineering Services W.L.L.	**3,38,684**	3,38,684	**28,179**	26,312
Lalbuksh Voltas Engineering Services & Trading L.L.C.	**11,59,588**	11,59,588	**96,478**	90,088
Voltas Oman L.L.C.	**6,36,945**	6,36,945	**52,994**	49,484
Voltas Qatar W.L.L.	**1,01,056**	1,01,056	**8,408**	7,851
Universal Voltas L.L.C.	**37,63,260**	37,63,260	**3,13,103**	2,92,368
	59,99,533	59,99,533	**4,99,162**	4,66,103
Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L.	**(3,38,684)**	(3,38,684)	**(28,179)**	(26,312)
	56,60,849	56,60,849	**4,70,983**	4,39,791
CURRENT ASSETS, LOANS AND ADVANCES (NOMINAL VALUE)				
Receivables from Participations	–	–	–	–
Trade Receivables	**2,49,916**	2,83,000	**20,792**	21,986
Other Receivables	**7,700**	5,445	**641**	423
Bank Balances	**16,32,857**	15,62,705	**1,35,854**	1,21,407
Less: Current Liabilities	**(28,853)**	(18,750)	**(2,401)**	(1,457)
Net Current Assets	**18,61,620**	18,32,400	**1,54,886**	1,42,359
	75,22,469	74,93,249	**6,25,869**	5,82,150

Note: The Balance Sheet has been converted into Indian Rupees @ 1 Euro = ₹ 83.20 being the exchange rate prevailing as on 31st March, 2020. Previous year figures have been converted @ 1 Euro = ₹ 77.69 being the exchange rate prevailing as on 31st March, 2019.

Directors **Anil George**

Amsterdam, 18 th May, 2020 **Sandra Appleman**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2020

	Euro	2018-19 Euro	₹ in '000s	2018-19 ₹ in '000s
OTHER INCOME				
Dividend from Participations	**14,59,394**	22,89,636	**1,17,408**	1,81,293
Fees Corporate Guarantee	**1,25,593**	88,000	**10,104**	6,968
	15,84,987	23,77,636	**1,27,512**	1,88,261
EXPENSES				
Operating and Administrative Expenses	**(2,70,753)**	(2,31,208)	**(21,782)**	(18,307)
Financial Results	**14,986**	1,06,589	**1,206**	8,440
	(2,55,767)	(1,24,619)	**(20,576)**	(9,867)
Profit	**13,29,220**	22,53,017	**1,06,936**	1,78,394

Note: The Profit and Loss Account has 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). Previous years figures have been converted into Indian Rupees @ 1 Euro = ₹ 79.18 being the average of the exchange rates prevailing as on 31st March, 2018 (1 Euro = ₹ 80.66) and as on 31st March, 2019 (1 Euro = ₹ 77.69).

Directors **Anil George**

Amsterdam, 18th May, 2020 **Sandra Appleman**

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

The lock down in Middle East in view of Covid-19 pandemic has slowed down execution activities at project sites. The performance and thereby the results of the participations will be impacted during the year 2020-2021. This will eventually impact the dividend income of Voltas Netherlands B.V. during the year 2020-2021. The Board is keeping a close watch on the developments and will take corrective actions as may be required.

At this moment, we do not expect 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, 2019 up to and including 31st March, 2020.

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**	**28,179**
Lalbuksh Voltas Engineering Services & Trading L.L.C.	**40**	**11,59,588**	**96,478**
Voltas Oman L.L.C.	**65**	**6,36,945**	**52,994**
Voltas Qatar W.L.L.	**49**	**1,01,056**	**8,408**
Universal Voltas L.L.C.	**49**	**37,63,260**	**3,13,103**
		59,99,533	**4,99,162**
Less: Impairment -Saudi Ensas Company for Engineering Services W.L.L. due to negative net asset value		**(3,38,684)**	**(28,179)**
		56,60,849	**4,70,983**

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 (₹ 8,49,47,616).

The entire paid up share capital of the Company, consisting 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 '000's
Balance as per 31st March, 2019	**6,18,729**	**48,069**
Movement	**—**	**—**
Balance as per 31st March, 2020	**6,18,729**	**51,478**

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Reserves and Surplus

	Euro	₹ in '000s
Balance as per 31st March, 2019	**68,74,520**	**5,34,081**
Profit for the year ended 31st March, 2020	**13,29,220**	**1,06,936**
Dividend	**(13,00,000)**	**(1,04,585)**
Balance as per 31st March, 2020	**69,03,740**	**5,74,391**

Receivables from Participations

	Euro	₹ in '000s
Dividend to be received from Saudi Ensas Company For Engineering Services W.L.L.	**43,068**	**3,583**
Less: Provision on dividend receivable from Saudi Ensas Company For Engineering Services W.L.L.	**(43,068)**	**(3,583)**
Balance as per 31st March, 2020	**—**	**—**

Trade Receivables

	Euro	₹ in '000s
Invoices for corporate guarantee fees		
(Voltas Qatar W.L.L., Voltas Oman L.L.C. and Lalbuksh Voltas Engineering Services & Trading L.L.C.)	**2,49,916**	**20,792**
Balance as per 31st March, 2020	**2,49,916**	**20,792**

Other Receivables

	Euro	₹ in '000s
Prepayments (TMF Management B.V.)	**7,700**	**641**
Balance as per 31st March, 2020	**7,700**	**641**

Bank Balances

	Euro	₹ in '000s
ABN Amro Bank EURO	**2,83,633**	**23,598**
ABN Amro Bank USD	**12,38,064**	**1,03,007**
ABN Amro Bank Deposit EURO	**4**	**—**
ABN Amro Bank Top Deposit EURO	**1,11,156**	**9,249**
Balance as per 31st March, 2020	**16,32,857**	**1,35,854**

Current Liabilities

	Euro	₹ in '000s
Creditors (Voltas Limited, Corporate Guarantee)	**8,713**	**725**
Audit, advisory and accounting costs	**20,140**	**1,676**
Balance as per 31st March, 2020	**28,853**	**2,401**

Liabilities not shown in Balance Sheet

Contingent Assets and Liabilities

Voltas Netherlands B.V. had issued Corporate Guarantees to:

(i) Barwa Bank, Doha, Qatar on behalf of Voltas Qatar W.L.L. for QR 161.925 million (Euro 40.364 million) (₹ 3,358.32 million).

The utilized amount as per Balance Sheet date amounts to QR 26.000 million (Euro 6.481 million) (₹ 539.24 million).

(ii) HSBC Bank Middle East Limited, Doha, Qatar on behalf of Voltas Qatar W.L.L. for QR 160.000 million (Euro 39.885 million) (₹ 3,318.40 million).

The utilized amount as per Balance Sheet date amounts to QR 29.431 million (Euro 7.337 million) (₹ 610.40 million).

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

(iii) Citibank N.A., Doha, Qatar on behalf of Voltas Qatar W.L.L. for USD 11 million / QR 40.150 million (Euro 10.009 million) (₹ 832.71 million). The utilized amount as per Balance Sheet date amounts to QR Nil (Euro Nil) (₹ Nil).

(iv) Bank Sohar S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 0.975 million (Euro 2.297 million) (₹ 191.08 million). The utilized amount as per Balance Sheet date amounts to RO 0.096 million (Euro 0.226 million) (₹ 18.81 million).

(v) HSBC Bank of Oman, Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 6.500 million (Euro 15.311 million) (₹ 1,273.87 million). The utilized amount as per Balance Sheet date amounts to RO 0.870 million (Euro 2.050 million) (₹ 170.59 million).

(vi) National Bank of Oman S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 4.550 million (Euro 10.718 million) (₹ 891.71 million). The utilized amount as per Balance Sheet date amounts to RO 3.250 million (Euro 7.655 million) (₹ 636.94 million).

(vii) HSBC Bank of Oman, Muscat, Oman on behalf of Lalbuksh Voltas Engineering Services & Trading L.L.C. for RO 2.000 million (Euro 4.711 million) (₹ 391.96 million). The utilized amount as per Balance Sheet date amounts to RO 0.619 million (Euro 1.459 million) (₹ 121.39 million).

(viii) 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 2.365 million) (₹ 196.76 million). The utilized amount as per Balance Sheet date amounts to RO 0.406 million (Euro 0.956 million) (₹ 79.57 million).

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 26.165 million (₹ 2,176.94 million).

Voltas Limited, as the sole Shareholder of Voltas Netherlands B.V., has guaranteed to provide financial support in case of a call made by the beneficiaries of the Corporate Guarantees issued by Voltas Netherlands B.V. The expectation of the shareholder is that the utilized amount will not exceed the guaranteed amount of Euro 50 million during the period up to 31st March, 2021.

Dividends from participations

	Euro	₹ in '000s
Lalbuksh Voltas Engineering Services & Trading L.L.C. (RO 2,80,000)	6,45,307	51,915
Universal Voltas L.L.C. (AED 34,30,000)	8,14,087	65,493
	14,59,394	1,17,408

Fees Corporate Guarantee

	Euro	₹ in '000s
Voltas Qatar W.L.L.	66,326	5,336
Voltas Oman L.L.C.	47,672	3,835
Lalbuksh Voltas Engineering Services & Trading L.L.C.	11,595	933
	1,25,593	10,104

The Company did not have any employees during 2019-2020 (2018-2019: Nil).

Operating and Administrative Expenses

	Euro	₹ in '000s
Fees Corporate Guarantee (Voltas Limited)	1,25,593	10,104
Management costs	90,548	7,285
Audit and advisory expenses	44,111	3,549
Legal fees	8,595	691
Other costs	1,906	153
	2,70,753	21,782

Financial Results

	Euro	₹ in '000s
Bank cost	2,649	213
Exchange rate differences	(17,635)	(1,419)
	(14,986)	(1,206)

Directors **Anil George**
Sandra Appleman

Amsterdam, 18th May, 2020

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