VOLTAS
A TATA Enterprise

Reports and Accounts of Subsidiary Companies

2018-2019

CONTENTS

UNIVERSAL COMFORT PRODUCTS LIMITED

Directors :
Anil George *(Chairman)*
Nani Javeri
R. N. Mukhija *(up to 4th February, 2019)*
Pradeep Kumar Bakshi
Sandhya S. Kudtarkar
Debendranath Sarangi *(w.e.f. 22nd January, 2019)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Eighteenth Annual Report and Audited Financial Statements for the year ended 31st March, 2019.

1. **Financial Results:**

₹ in crores

	2018-19	2017-18
Revenue from operations	**924**	1,115
Other Income	**1**	1
Total Income	**925**	1,116
Total expenses	**850**	1,019
Profit before Tax	**75**	97
Tax expense	**27**	34
Profit for the year	**48**	63

The Company has recorded Revenue of ₹ 924 crores for the year ended 31st March, 2019 as compared to ₹ 1,115 crores in the previous year. Profit before tax was at ₹ 75 crores as compared to ₹ 97 crores in the previous year.

2. **Reserves:**

The Board of Directors have not recommended any amount to be transferred to General Reserve (2017-18: ₹ 7.25 crores).

3. **Dividend:**

The Directors recommend dividend of ₹ 17.5 per equity share of ₹ 10 each (175%) for the year 2018-19 (2017-18: 175%).

4. **Number of Board Meetings:**

During 2018-19, five Board Meetings were held on 2nd May, 2018; 24th July, 2018; 24th October, 2018; 22nd January, 2019 and 6th March, 2019.

5. **Directors:**

In accordance with the provisions of the Companies Act, 2013 (the Act) and the Company's Articles of Association, Mrs. Sandhya S. Kudtarkar retires by rotation and being eligible, offers herself for re-appointment.

Mr. R. N. Mukhija, an Independent Director, retired with effect from 5th February, 2019 upon completion of his term. The Directors place on record their sincere appreciation of the valuable guidance and support given by Mr. R. N. Mukhija during his tenure as a Director of the Company.

Based on the recommendation of Nomination and Remuneration Committee (NRC), Mr. Debendranath Sarangi was appointed as an Additional Director and Independent Director by the Board of Directors with effect from 22nd January, 2019, subject to approval of the shareholders of the ensuing Annual General Meeting. As an Additional Director, Mr. Debendranath Sarangi holds office upto the date of the forthcoming Annual General Meeting (AGM) but is eligible for appointment as Director. Notice under Section 160 of the Act has been received from a member proposing his appointment as Director of the Company. Mr. Debendranath Sarangi also satisfies the test of independence as stipulated under Section 149(6) of the Act. The Resolution seeking approval of the members for appointment of Mr. Debendranath Sarangi as Director and as an Independent Director forms part of the Notice of the AGM.

6. **Declaration by Independent Directors:**

Pursuant to Section 149(7) of the Act, the Company has received declarations from Mr. Nani Javeri and Mr. Debendranath Sarangi, Independent Directors confirming that they meet the criteria of independence as specified in Section 149(6) of the Act.

7. **Audit Committee:**

Mr. R. N. Mukhija ceased to be a member of the Audit Committee upon his retirement on 4th February, 2019. Mr. Debendranath Sarangi was appointed as a member of the Committee with effect from 22nd January, 2019. Audit Committee comprise Mr. Anil George (Chairman), Mr. Nani Javeri and Mr. Debendranath Sarangi and the composition is in line with the requirements of Section 177 of the Act. The Board has accepted the recommendations made by the Audit Committee, from time to time. During 2018-19, four Audit Committee Meetings were held on 2nd May, 2018; 24th July, 2018; 24th October, 2018 and 22nd January, 2019.

8. **Nomination and Remuneration Committee:**

Mr. R. N. Mukhija ceased to be a member of the Nomination and Remuneration Committee (NRC) upon his retirement on 4th February, 2019. Mr. Debendranath Sarangi was appointed as member of NRC with effect from 11th April, 2019. Presently, NRC comprises Mr. Nani Javeri (Chairman), Mr. Anil George and Mr. Debendranath Sarangi. During 2018-19, one NRC Meeting was held on 22nd January, 2019.

9. **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.

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 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. The feedback received from the Directors was discussed and reviewed by the Independent Directors at their annual Meeting during which, the Independent Directors evaluated the performance of Non-Executive Directors, including 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 22nd January, 2019.

11. 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 2018-19, one Meeting of CSR Committee was held on 24th July, 2018.

12. Statutory Auditors:

At the Sixteenth AGM 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 2018-19 does not contain any qualification, reservation or adverse remark.

13. 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 2018-19. M/s. Sagar & Associates have been re-appointed as Cost Auditors of the Company for the financial year 2019-20 and approval of the Members is being sought for ratification of their remuneration.

14. 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 2018-19. 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 2019-20.

15. 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.

16. 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.

17. 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.

18. 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.

19. Particulars of contracts or arrangements with related parties:

All Related Party transactions during 2018-19 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 V.

20. Secretarial Standards:

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

21. 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.

22. General:

The Company has complied with the provisions relating to constitution of Internal Complaints Committee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During 2018-19, 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
Chairman

Mumbai, 25th April, 2019

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 endeavours to facilitate livelihood opportunities and promote socio-cultural development. There has been no change in the Company's CSR Policy during the year under review. 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. Nani Javeri (Independent Director)
   - Mr. Pradeep Bakshi (Non-Executive Director)

3. **Average net profit of the Company for last three financial years:** ₹ 104.88 crores.

4. **Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above):** ₹ 2.10 crores.

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

   (a) Total amount to be spent for the financial year: ₹ 2.10 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.	Prostate Cancer Screening; Treatment, nutrition and rehabilitation support to teenage and young adults suffering from Cancer; Child health.	Health	Mumbai	₹ 0.81 crore	Direct expenditure	₹ 0.81 crore	• Cancer Patients Aid Association • KARO Trust • St. Jude India Childcare Centre • Bright Future Organisation for the Blind • Bhansali Trust
2.	Supporting In-School English Program for under privileged children; Donation of books to libraries.	Education	Mumbai and across India	₹ 0.35 crore	Direct expenditure	₹ 1.16 crores	• Angel Xpress Foundation • The MARG Foundation
3.	Community needs assessment for exploring CSR opportunities.	Community Development	Kolkata, Waghodia Village (Vadodara) and Ahmedabad	₹ 0.13 crore	Direct expenditure	₹ 1.29 crores	• Sattva Media Consulting Private Limited • Social Lens Consulting Private Limited
4.	RAC Skill Training Centers; Train the Trainer programs; Multi-Skilling initiatives; Supply of tool kits.	Vocational Skills	Jharkhand, Karnataka, Maharashtra, Odisha, Rajasthan and Chhattisgarh	₹ 0.82 crore	Direct expenditure	₹ 2.11 crores	• Various organisations

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 was 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	**Pradeep Kumar Bakshi**
Chairman – CSR Committee	*Director*

Annexure II

SECRETARIAL AUDIT REPORT

FORM NO. MR-3

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

[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, 2019 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, 2019 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, 2009;

   (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 Directors. 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, 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, no specific events/ actions have taken place which have any major bearing on the Company's affairs.

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

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

Date: 18th April, 2019
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

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

Date: 18th April, 2019
Place: Mumbai

Annexure III
Form No. MGT-9

EXTRACT OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2019

[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 1-4-2018)				No. of Shares held at the end of the year (As on 31-3-2019)				% 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 1-4-2018)			Shareholding at the end of the year (As on 31-3-2019)			% 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	1	—	Nil	0
4.	Voltas Limited Jointly with Rajesh Bhatia	1	—	Nil	1	—	Nil	0
5.	Voltas Limited Jointly with Sanjay Johri	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 Jayant Balan	1	—	Nil	—	—	Nil	0
9.	Voltas Limited Jointly with Pradeep Bakshi	—	—	Nil	1	—	Nil	0
10.	Voltas Limited Jointly with Abhijit Gajendragadkar	—	—	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 (1-4-2018)	There is no change in Promoters' Shareholding between 1-4-2018 and 31-3-2019			
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 (31-3-2019)				

(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 (1-4-2018)					
1.	Anil George	1*	—	1*	—
2.	Nani Javeri	0	0	0	0
3.	R. N. Mukhija (upto 4th February, 2019)	0	0	0	0
4.	Pradeep Kumar Bakshi	0	0	1*	0
5.	Sandhya S. Kudtarkar	0	0	0	0
6.	Debendranath Sarangi (w.e.f 22nd January, 2019)	—	—	0	0
Key Managerial Personnel					
1.	M. K. Sharma	0	0	0	0
2.	Kajal Jangid	0	0	0	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):		Nil			

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 (31-3-2019)					
1.	Anil George			1*	—
2.	Nani Javeri			0	0
3.	R. N. Mukhija (upto 4th February, 2019)			—	—
4.	Pradeep Kumar Bakshi			1*	0
5.	Sandhya S. Kudtarkar			0	0
6.	Debendranath Sarangi (w.e.f 22nd January, 2019)			0	0
Key Managerial Personnel					
1.	M. K. Sharma			0	0
2.	Kajal Jangid			0	0
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	 60.22 1.92 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	 3.29
	Total (A)	65.43
	Ceiling as per the Act (5% of profit u/s 198 of the Companies Act, 2013)	376.37

B. Remuneration to other directors:

Fees for attending Board/Committee meetings:

₹ in Lakhs

Mr. Nani Javeri	Mr. R. N. Mukhija (upto 4.2.2019)	Mrs. Sandhya S. Kudtarkar	Mr. Debendranath Sarangi (w.e.f 22.1.2019)	Total
2.40	2.00	0.80	0.20	5.40

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	 39.04 1.20 Nil	 12.40 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	 1.39	 0.44
	Total	41.63	12.84

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: None

On behalf of the Board of Directors

Anil George
Chairman

Mumbai, 25th April, 2019

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 structural approach was applied for energy management and following energy conservation projects were taken:-

(a) Installed Variable Frequency Drives on Vacuum Pump Assembly line and Comfort Cooling systems resulting in power saving @ 318 kwh per shift, saving of ₹ 6.20 lakhs per annum.

(b) Installed roof top skylights to improve daylight at the Plant. This results in switching off of high bay luminaries during daytime. Average power saving 124 kwh per day and equivalent cost saving of ₹ 2.54 lakhs per annum was achieved.

(c) Installed light dependent resistor and cycle timers which resulted in saving of electricity costs of ₹ 0.60 lakh per annum.

(d) Equivalent Carbon foot print reduction by above initiatives is 119 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) Development and launch of Split Air Conditioners with eco-friendly Refrigerant R 32 in Inverter AC category.

(b) Development and launch of Window Air Conditioners with eco-friendly Refrigerant R 32 in Fixed Speed AC category.

(c) Launch of 2 ton 3 / 4 / 5 Star Inverter AC in Split AC Inverter category.

(d) Development of 1 and 1.5 ton local Indoor Unit (IDU) to reduce import dependency.

(e) Development and launch of 1.5 ton 5 Star Inverter Outdoor Unit (ODU) from 26" to 22".

(f) Development and launch of 1 ton 3 / 4 / 5 Star Inverter models from 20" to 18" ODU.

(g) Development and launch of Adjustable Inverter Split AC.

The Company had incurred R&D expenditure of ₹ 1.11 crores during 2018-19.

C. Foreign Exchange Earnings and Outgo:

Expenditure in foreign currency: ₹ 0.16 crore.

On behalf of the Board of Directors

Anil George
Chairman

Mumbai, 25th April, 2019

Annexure V

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 transactions with its related parties which is not at arm's length during the financial year 2018-19.

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:

Please refer Note No. 27 of financial statements for the year ended 31st March, 2019.

(c) Duration of the contracts/arrangements/transactions:

It is an ongoing contract.

(d) Salient terms of the contracts or arrangements or transactions including the value, if any:

Purchase/Sale of goods and components and other transactions.

Please refer Note No. 27 of financial statements for the year ended 31st March, 2019.

(e) Date(s) of approval by the Board, if any:

Not Applicable, since the contract was entered into 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, 25th April, 2019

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, 2019, 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 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, 2019, 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 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 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.

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 judgements 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 system 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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, 2019 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 22 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)

Mumbai, April 25, 2019

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 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) 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.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, custom duty, excise duty, value added tax, 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 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 Sections 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)

Mumbai, April 25, 2019

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, 2019 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.

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, 2019, 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)

Mumbai, April 25, 2019

BALANCE SHEET AS AT 31ST MARCH, 2019

		Note	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
A.	**ASSETS**			
	1. NON-CURRENT ASSETS			
	(a) Property, plant and equipment	2	**1,202.97**	1,194.74
	(b) Capital work-in-progress	2	**45.65**	73.43
	(c) Intangible assets	2	**0.34**	0.39
	(d) Financial assets			
	- Other financial assets	3	**22.90**	58.38
	(e) Income tax assets (net)		**434.92**	24.65
	(f) Other non-current assets	4	**533.30**	537.91
			2,240.08	1,889.50
	2. CURRENT ASSETS			
	(a) Inventories	6	**10,068.31**	7,771.24
	(b) Financial assets			
	(i) Trade receivables	7	**32,821.30**	35,801.52
	(ii) Cash and cash equivalents	8	**78.11**	531.20
	(iii) Other financial assets	3	**662.61**	654.76
	(c) Other current assets	4	**81.81**	89.86
			43,712.14	44,848.58
		TOTAL	**45,952.22**	46,738.08
B.	**EQUITY AND LIABILITIES**			
	1. EQUITY			
	(a) Equity share capital	9	**2,764.20**	2,764.20
	(b) Other equity	10	**24,844.22**	25,855.88
	Total equity		**27,608.42**	28,620.08
	2. LIABILITIES			
	NON-CURRENT LIABILITIES			
	(a) Provisions	11	**23.46**	18.91
	(b) Deferred tax liabilities (net)	5	**208.42**	188.74
			231.88	207.65
	3. CURRENT LIABILITIES			
	(a) Financial liabilities			
	(i) Trade payables			
	(a) total outstanding of micro enterprises and small enterprises	26	**1,369.76**	1,928.30
	(b) total outstanding dues of creditors other than micro enterprises and small enterprises		**15,252.32**	14,910.32
	(ii) Other financial liabilities	12	**220.06**	5.00
	(b) Provisions	11	**5.69**	4.86
	(c) Income tax liabilities (net)		**—**	35.00
	(d) Other current liabilities	13	**1,264.09**	1,026.87
			18,111.92	17,910.35
	Total equity and liabilities	TOTAL	**45,952.22**	46,738.08
	The accompanying notes are forming part of the financial statements.	1-30		

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, 25th April, 2019

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, 25th April, 2019

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

		Note	₹ in Lakhs	2017-18 ₹ in Lakhs
1.	**REVENUE FROM OPERATIONS**	14	**92,470.68**	1,11,541.92
2.	**OTHER INCOME**	15	**79.45**	4.99
3.	**TOTAL INCOME**		**92,550.13**	1,11,546.91
4.	**EXPENSES**			
	(a) Cost of materials consumed		**82,007.19**	95,263.03
	(b) Changes in inventories of finished goods	16	**(1,192.39)**	1,333.08
	(c) Employee benefits expense	17	**543.06**	479.06
	(d) Depreciation and amortisation expense	2	**133.60**	128.94
	(e) Other expenses	18	**3,531.27**	4,625.84
	TOTAL EXPENSES		**85,022.73**	1,01,829.95
5.	**PROFIT BEFORE TAX**		**7,527.40**	9,716.96
6.	**TAX EXPENSE**			
	(a) Current tax	21	**2,686.80**	3,450.50
	(b) Deferred tax	5	**20.00**	(7.37)
	TOTAL TAX EXPENSE		**2,706.80**	3,443.13
7.	**NET PROFIT FOR THE YEAR**		**4,820.60**	6,273.83
8.	**OTHER COMPREHENSIVE INCOME**			
	Items not reclassified to profit or loss in subsequent periods:			
	Remeasurement gains / (losses) on defined benefit plans		**(0.89)**	0.36
	Income tax relating to this item		**0.31**	(0.12)
	Other comprehensive income (net of tax)		**(0.58)**	0.24
9.	**TOTAL COMPREHENSIVE INCOME**		**4,820.02**	6,274.07
10.	**EARNINGS PER SHARE**	25		
	Basic and Diluted - (₹)		**17.44**	22.70
	Face Value per equity share - (₹)		**10.00**	10.00
	The accompanying notes are forming part of the financial statements.	1-30		

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, 25th April, 2019

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, 25th April, 2019

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

A.	**Equity share capital**	**₹ in Lakhs**
	As at 1st April, 2017	2,764.20
	As at 31st March, 2018	2,764.20
	Changes in equity share capital	—
	As at 31st March, 2019	**2,764.20**

B.	**Other equity**	**Reserves and surplus**		**₹ in Lakhs**
		General Reserve	**Retained earning**	**Total other equity**
	Balance as at 1st April, 2017	2,050.00	23,353.93	25,403.93
	Profit for the year	—	6,273.83	6,273.83
	Other comprehensive income	—	0.24	0.24
	Total Comprehensive Income	—	6,274.07	6,274.07
	Transfer to General Reserve	725.00	(725.00)	—
	Payment of Dividend	—	(4,837.35)	(4,837.35)
	Dividend Distribution tax	—	(984.77)	(984.77)
	Balance as at 31st March, 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**

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, 25th April, 2019

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, 25th April, 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019

			2017-18
		₹ in Lakhs	₹ in Lakhs
A.	**Cash Flow from Operating activities**		
	Profit before tax	**7,527.40**	9,716.96
	Adjustments for:		
	Interest income	**(0.97)**	(1.04)
	Depreciation and amortisation expenses	**133.60**	128.94
	Amortisation of lease prepayment	**2.81**	2.81
	Profit on sale of fixed assets	**(1.95)**	—
	Operating profit before working capital changes	**7,660.89**	9,847.67
	Changes in working capital:		
	Adjustments for (increase) / decrease in operating assets:		
	Inventories	**(2,297.07)**	7,160.80
	Trade receivables	**2,980.23**	(5,190.50)
	Other financial assets	**27.64**	(654.87)
	Other current assets	**8.05**	169.02
	Other non-current assets	**1.79**	(3.43)
	Adjustments for increase / (decrease) in operating liabilities:		
	Trade payables	**(216.54)**	(2,839.26)
	Other financial liabilities	**215.06**	—
	Other current liabilities	**237.22**	864.44
	Provisions	**5.44**	4.28
	Cash generated from operations	**8,622.71**	9,358.15
	Net income tax paid	**(3,132.07)**	(3,370.30)
	Net cash flow from Operating activities (A)	**5,490.64**	5,987.85
B.	**Cash Flow from Investing activities**		
	Purchase of property, plant and equipment	**(119.26)**	(124.40)
	Sale of property, plant and equipment	**7.21**	—
	Interest received	**—**	1.04
	Net cash flow (used in) Investing activities (B)	**(112.05)**	(123.36)
C.	**Cash Flow from Financing activities**		
	Dividend paid	**(4,837.35)**	(4,837.35)
	Tax on dividend paid	**(994.33)**	(984.77)
	Net cash flow (used in) Financing activities (C)	**(5,831.68)**	(5,822.12)
	Net (decrease)/increase in Cash and cash equivalents (A+B+C)	**(453.09)**	42.37
	Cash and cash equivalents at the beginning of the year	**531.20**	488.83
	Cash and cash equivalents at the end of the year (Refer Note 8)	**78.11**	531.20

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, 25th April, 2019

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, 25th April, 2019

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019

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). 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, 2018.

(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).

The Company has applied Ind AS 115 using the modified retrospective method w.e.f. 1st April, 2018 and therefore the comparative information has not been restated and continue to be reported as per earlier accounting policy as follows:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for trade discounts, rebates and other similar allowances. Revenue includes excise duty however excludes GST, sales tax, value added tax and any other indirect taxes or amounts collected on behalf of the Government.

Sale of goods

Revenue from sale of goods is recognised when the Company transfers all significant risks and rewards of ownership to the buyer while the Company retains neither continuing managerial involvement nor effective control over the goods sold.

(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 (n) 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:

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

(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.

(f) 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.

(g) 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
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.

(h) 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.

(i) FOREIGN CURRENCY TRANSLATION

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.

(j) LEASES

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

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.

(k) 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.

(l) 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

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.

Minimum Alternative Tax (MAT)

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

(m) 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.

(n) 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

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 FVTOCI 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 recognised 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 recognised in the Statement of profit and loss.

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 asset are transferred.

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 derecognised 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 or 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

(o) IMPAIRMENT

(i) 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.

(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 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.

(p) CASH AND CASH EQUIVALENTS

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

(q) EARNINGS 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.

(r) 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 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.

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 28.

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 115 Revenue from Contracts with Customers

Ind AS 115 supersedes Ind AS 11 Construction Contracts and Ind AS 18 Revenue and it applies, with limited exceptions, to all revenue arising from contracts with customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Ind AS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted Ind AS 115 using the modified retrospective method of adoption with the date of initial application of 1st April, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1st April, 2018.

The cumulative effect of initially applying Ind AS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under Ind AS 11 and Ind AS 18.

There were no effects as at 1st April, 2018 of adopting IND AS 115 and further, the application of Ind AS 115 did not have any impact on the financial statements and EPS for the year ended 31st March, 2019.

1D Recent Accounting Pronouncements

Standards issued but not yet effective

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

Ind AS 116 - Leases

Ind AS 116 Leases was notified in March 2019 and it replaces Ind AS 17 Leases. Ind AS 116 is effective for annual periods beginning on or after 1st April, 2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. Lessor accounting under Ind AS 116 is substantially unchanged from accounting under Ind AS 17. Ind AS 116 requires lessees and lessors to make more extensive disclosures than under Ind AS 17. As the Company does not have any material leases, therefore the adoption of this standard is not likely to have a material impact on its financial statements.

Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in statement of profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to 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 Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity has to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 109 - Financial Instruments (amendments relating to prepayment features with negative compensation)

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

Ind AS 19 – Employee Benefits (amendments relating to plan amendment, curtailment or settlement)

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any impact on its financial statements.

Ind AS 23 - Borrowing Cost

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. The Company does not expect this amendment to have any impact on its financial statements.

Ind AS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies Ind AS 109 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. Currently, the Company does not have any long-term interests in associates and joint ventures.

Ind AS 103 – Business Combinations and Ind AS 111 - Joint Arrangements

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business. Currently, the Company does not have any joint arrangements.

2. PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK-IN-PROGRESS AND INTANGIBLE ASSETS

₹ in Lakhs

	Property, Plant and Equipment					Total	Capital Work in Progress	Intangible Asset	Grand Total
	Buildings	Plant and Equipment	Furniture and Fixtures	Office Equipment	Vehicles			Software	
Gross carrying amount									
As at 1st April, 2017	786.42	1,397.39	79.24	68.98	26.96	2,358.99	—	43.99	2,402.98
Additions	—	47.63	2.50	0.68	—	50.81	103.37	—	154.18
Disposals/ Transfer out	—	—	—	—	—	—	(29.94)	—	(29.94)
As 31st March, 2018	786.42	1,445.02	81.74	69.66	26.96	2,409.80	73.43	43.99	2,527.22
Depreciation									
As at 1st April, 2017	280.22	665.30	58.04	62.24	22.82	1,088.62	—	41.10	1,129.72
Charge for the year	34.15	82.85	6.39	2.14	0.91	126.44	—	2.50	128.94
Disposals	—	—	—	—	—	—	—	—	—
As 31st March, 2018	314.37	748.15	64.43	64.38	23.73	1,215.06	—	43.60	1,258.66
Net carrying amount at 31st March, 2018	472.05	696.87	17.32	5.29	3.23	1,194.74	73.43	0.39	1,268.56
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 31st March, 2019	**439.06**	**730.44**	**26.25**	**6.22**	**1.00**	**1,202.97**	**45.65**	**0.34**	**1,248.96**

3. OTHER FINANCIAL ASSETS

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
(A) Non-current		
Security deposits	**22.90**	58.38
(B) Current		
Government Grant Receivables	**626.62**	654.26
Security deposits	**35.99**	0.50
	662.61	654.76

4. OTHER ASSETS

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
(A) Non-current		
Lease prepayment (Refer Note below)	**222.41**	225.23
Capital Advances	**0.57**	—
Balance with government authorities:		
Unsecured, considered good	**310.32**	312.68
Credit impaired	**47.15**	47.15
	580.45	585.06
Less: Impairment allowance	**(47.15)**	(47.15)
	533.30	537.91

Note : Represents prepayment in respect of land taken under operating lease, being amortized equally over the period of lease.

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
(B) Current		
Prepaid expenses	**67.53**	69.92
Balance with government authorities	**8.63**	10.75
Advance to suppliers	**5.65**	9.19
	81.81	89.86

5. DEFERRED TAX

The balance comprises temporary differences attributable to:

₹ in Lakhs

	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	**(6.28)**	**0.31**	**2.34**
Unpaid statutory liabilities	41.70	**(17.03)**	**—**	**24.67**
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)**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

	As at 31-3-2017	(Charged) / Credited to Statement of Profit and Loss	Adjustment against normal tax	(Charged) / Credited to OCI	As at 31-3-2018
Provision for employee benefits	6.88	1.55	—	(0.12)	8.31
Unpaid statutory liabilities	42.47	(0.77)	—	—	41.70
MAT credit entitlement	372.63	—	(372.63)	—	—
Deferred Tax Assets	421.98	0.78	(372.63)	(0.12)	50.01
Property, plant and equipment and intangible assets	(245.34)	6.59	—	—	(238.75)
Deferred Tax Liabilities	(245.34)	6.59	—	—	(238.75)
Net Deferred Tax Assets / (Liabilities)	176.64	7.37	(372.63)	(0.12)	(188.74)

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

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Raw materials and components	**5,090.95**	3,817.97
Stores and spares	**110.03**	278.33
Finished goods	**4,867.33**	3,674.94
	10,068.31	7,771.24

Note: The cost of inventories recognised as an expense includes ₹ 32.30 lakhs [31st March, 2018: ₹ (12.11) lakhs] in respect of write-down of inventories to net realisable value.

7. TRADE RECEIVABLES

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Trade receivables	**105.08**	3.24
Receivables from related parties (Refer Note 27)	**32,716.22**	35,798.28
	32,821.30	35,801.52
Break-up of security details		
Secured, considered good	**—**	—
Unsecured, considered good	**32,821.30**	35,801.52
	32,821.30	35,801.52

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

8. CASH AND CASH EQUIVALENTS

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Balances with bank		
- on current account	**78.11**	31.20
Cheques on hand	—	500.00
	78.11	531.20

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.

9. EQUITY SHARE CAPITAL

		₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
(a)	**Authorised share capital** 5,00,00,000 (31st March, 2018: 5,00,00,000) equity shares of ₹ 10 each	**5,000.00**	5,000.00
(b)	**Issued, subscribed and paid up:** 2,76,42,000 (31st March, 2018: 2,76,42,000) equity shares of ₹ 10 each	**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	No. of shares	As at 31-3-2018 ₹ 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	No. of shares	As at 31-3-2018 % 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.

10. OTHER EQUITY

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Balance as at the beginning of the year	**2,775.00**	2,050.00
Add : Transfer from Retained Earnings	**725.00**	725.00
Balance as at the end of the year	**3,500.00**	2,775.00
Retained Earnings		
Balance as at the beginning of the year	**23,080.88**	23,353.93
Add : Profit for the year	**4,820.60**	6,273.83
Less : Transferred to General Reserve	**(725.00)**	(725.00)
Actuarial remeasurement (loss) / gain for the year through OCI	**(0.58)**	0.24
Dividend paid	**(4,837.35)**	(4,837.35)
Dividend Distribution tax	**(994.33)**	(984.77)
Balance as at the end of the year	**21,344.22**	23,080.88
Total other equity	**24,844.22**	25,855.88

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

(b) Retained Earnings:

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

Distribution made and proposed

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Final dividend for the year ended 31st March, 2018: ₹ 17.50 per share (31st March, 2017: ₹ 17.50 per share)	**4,837.35**	4,837.35
Dividend Distribution Tax on final dividend	**994.33**	984.77
	5,831.68	5,822.12
Proposed dividends on Equity shares:		
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 proposed dividend	**994.56**	994.33
	5,831.91	5,831.68

11. PROVISIONS

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
(A) Non-current		
Provision for Gratuity (Refer Note 28)	**23.46**	18.91
(B) Current		
Provision for Compensated absences	**5.69**	4.86

12. OTHER FINANCIAL LIABILITIES

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Current		
Rebate to customers	**215.06**	—
Security deposit from customer	**5.00**	5.00
	220.06	5.00

13. OTHER CURRENT LIABILITIES

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Statutory dues	**1,264.09**	1,026.87

14. REVENUE FROM OPERATIONS

	₹ in Lakhs	2017-18 ₹ in Lakhs
Revenue from contracts with customers		
- Sale of products and spare parts (refer note below)	**92,394.43**	1,10,846.55
Other operating revenue		
- Scrap Sales	**30.73**	41.11
- Government Grant	**45.52**	654.26
	76.25	695.37
	92,470.68	1,11,541.92

NOTE:

(A) Disaggregated revenue information

Disaggregation of the Company's revenue from contracts with customers are as follows:

	₹ in Lakhs	2017-18 ₹ in Lakhs
- Sale of Room Air Conditioners	**87,529.59**	1,06,759.78
- Sale of spare parts	**4,864.84**	4,086.77
	92,394.43	1,10,846.55

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

	₹ in Lakhs	2017-18 ₹ in Lakhs
Revenue as per contracted price	**92,394.43**	1,10,846.55
Add/(Less) : Adjustments	**—**	—
Revenue from contract with customers	**92,394.43**	1,10,846.55

15. OTHER INCOME

	₹ in Lakhs	2017-18 ₹ in Lakhs
(a) Interest Income		
On deposits	**0.97**	1.04
(b) Other non-operating income	**78.48**	3.95
	79.45	4.99

16. CHANGES IN INVENTORIES OF FINISHED GOODS

	₹ in Lakhs	2017-18 ₹ in Lakhs
Inventories at the end of the year	**4,867.33**	3,674.94
Inventories at the beginning of the year	**3,674.94**	5,008.02
Net (increase) / decrease in inventories of finished goods	**(1,192.39)**	1,333.08

17. EMPLOYEE BENEFITS EXPENSE

	₹ in Lakhs	2017-18 ₹ in Lakhs
Salaries, wages and bonus	**505.83**	439.84
Contribution to provident and other funds (Refer Note 28)	**8.07**	7.21
Gratuity expenses (unfunded) (Refer Note 28)	**4.26**	3.81
Staff welfare expenses	**24.90**	28.20
	543.06	479.06

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

18. OTHER EXPENSES

	₹ in Lakhs	2017-18 ₹ in Lakhs
Consumption of stores and spare parts	**105.50**	225.90
Outside service charges	**492.99**	515.17
Power and fuel	**108.11**	105.63
Rent	**314.03**	313.00
Repairs and maintenance - plant and machinery	**81.32**	112.61
Repairs and maintenance - buildings	**9.19**	5.03
Insurance	**47.52**	62.98
Rates and taxes	**1.46**	2.62
Travelling and conveyance	**9.64**	11.02
Printing and stationery	**5.11**	7.28
Freight and forwarding	**282.73**	306.94
Sales commission	**1,747.23**	2,604.37
Payment to auditors (Refer Note 19)	**22.49**	22.00
Legal and professional fees	**5.92**	17.38
Corporate social responsibility (CSR) (Refer Note 20)	**211.10**	207.95
Miscellaneous expenses	**86.93**	105.96
	3,531.27	4,625.84

19. PAYMENT TO AUDITORS

	₹ in Lakhs	2017-18 ₹ in Lakhs
To Statutory auditors for		
(i) Audit fees (including tax audit fees)	**22.00**	22.00
(ii) Other services	**0.40**	—
(iii) Reimbursement of expenses	**0.09**	—
	22.49	22.00

20. CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENSES

	₹ in Lakhs	2017-18 ₹ in Lakhs
(a) Gross amount required to be spent by the Company during the year	**209.76**	207.73
(b) Amount actually spent on CSR activities in cash		
(i) Construction / acquisition of any asset	**—**	—
(ii) Others	**211.10**	207.95
	211.10	207.95

21. INCOME TAX

	₹ in Lakhs	2017-18 ₹ in Lakhs
(a) Tax expense recognised in Statement of Profit and Loss		
Current tax	**2,686.80**	3,450.50
Deferred tax	**20.00**	(7.37)
Income tax expense reported in the Statement of Profit and Loss	**2,706.80**	3,443.13
(b) Tax expense recognised in OCI		
Deferred tax related to items recognised in OCI during the year		
Remeasurement gains / (losses) on defined benefits plan	**0.31**	(0.12)
	0.31	(0.12)
(c) Reconciliation of tax expense and the accounting profit		
Profit before tax	**7,527.40**	9,716.96
Statutory tax rate	**34.94%**	34.61%
Income tax expense at statutory tax rate	**2,630.07**	3,363.04
Effect of non-deductible expenses	**76.73**	80.09
Income tax expense recognised in the Statement of Profit and Loss	**2,706.80**	3,443.13

22. CONTINGENT LIABILITIES

		As at 31-3-2018
	₹ in Lakhs	₹ 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.

23. COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 7.68 lakhs. (31st March, 2018: Nil)

24. 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'.

25. EARNINGS PER SHARE

		2017-18
Profit for the year (₹ in Lakhs)	**4,820.60**	6,273.83
Weighted average number of equity shares	**2,76,42,000**	2,76,42,000
Basic and diluted earnings per share of ₹ 10 each (in ₹)	**17.44**	22.70

26. DISCLOSURE UNDER MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

			As at 31-3-2018
		₹ in Lakhs	₹ in Lakhs
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year.	**1,369.76**	1,928.30
(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.	—	—

27. 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	Key Management Personnel
	<u>Non Executive Directors</u> Mr. Anil George - Chairman Mr. Pradeep Bakshi Mrs. Sandhya S Kudtarkar <u>Independent Directors</u> Mr. Nani Javeri Mr. R. N. Mukhija (till 4th February, 2019) Mr. Debendranath Sarangi (w.e.f. 22nd January, 2019)	Directors
	Tata Teleservices Limited Tata Consultancy Services Limited Tata Capital Financial Services Limited*	Entity under common control

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

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

₹ in Lakhs

	Holding Company	**Key Management Personnel**	**Directors**	**Entity under common control**
Sale of goods	**69,755.75**	**—**	**—**	**—**
	(89,065.64)	—	—	—
Purchase of goods	**26,204.71**	**—**	**—**	**—**
	(27,386.74)	—	—	—
Dividend paid	**4,837.35**	**—**	**—**	**—**
	(4,837.35)	—	—	—
Sales commission	**1,747.23**	**—**	**—**	**—**
	(2,491.23)	—	—	—
Reimbursement of staff cost and other expenses	**258.87**	**—**	**—**	**—**
	(234.87)	—	—	—
Remuneration	**—**	**65.86**	**—**	**—**
	—	(58.31)	—	—
Rent	**3.39**	**—**	**—**	**—**
	(3.44)	—	—	—
Telephone expenses	**—**	**—**	**—**	**1.25**
	—	—	—	(1.48)
Purchase of property, plant and equipment	**—**	**—**	**—**	**1.25**
	—	—	—	—
Sitting Fees	**—**	**—**	**5.40**	**—**
	—	—	(6.15)	—

(c) Related Party Balances

	Holding Company	**Key Management Personnel**	**Entity under common control**
Trade Receivables	**32,716.22**	**—**	**—**
	(35,798.28)	—	—
Trade Payables	**—**	**—**	**—**
	—	—	(0.11)

* 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)

28. EMPLOYEE BENEFIT 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 ₹ 8.22 lakhs for the year ended 31st March, 2019 (31st March, 2018 : ₹ 7.21 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 or 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 31-3-2018 ₹ in Lakhs
Amount recognised in Balance Sheet		
Defined benefit obligation	**23.46**	18.91
Plan assets	**—**	—
Net defined benefit obligation	**23.46**	18.91
Amount recognised in Statement of Profit and Loss		
Current service cost	**2.78**	2.65
Net interest expense	**1.48**	1.16
Included in Statement of Profit and Loss	**4.26**	3.81
Amount recognised in Other Comprehensive Income		
Remeasurement on the net defined benefit liability:		
Actuarial (gains) / losses arising from changes in financial assumptions	**0.19**	(0.91)
Actuarial (gains) / losses arising from experience adjustments	**0.70**	0.55
Included in OCI	**0.89**	(0.36)
Movements in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**18.91**	15.46
Current service cost	**2.78**	2.65
Interest cost	**1.48**	1.16
Remeasurement (gains)/losses:		
Actuarial (gains) / losses arising from changes in financial assumptions	**0.19**	(0.91)
Actuarial (gains) / losses arising from experience adjustments	**0.70**	0.55
Benefits paid	**(0.60)**	—
Closing defined benefit obligation	**23.46**	18.91

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

		As at 31-3-2018
Discount rate(s)	**7.79%**	7.85%
Expected rate(s) of salary increase	**8.00%**	8.00%
Attrition rate	**2.00%**	2.00%
Retirement age	**58**	58
Mortality Rate	**IALM (2006 - 08)**	IALM (2006 - 08)

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

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**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

As at 31st March, 2018 ₹ 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	(2.43)	2.94	2.91	(2.44)	(0.07)	0.07

The average duration of the defined benefit obligation is 16 years as on 31st March, 2019 and 17 years as on 31st March, 2018.

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

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Within 1 year	**0.49**	0.39
Between 1 and 2 years	**0.52**	0.43
Between 2 and 3 years	**0.56**	0.46
Between 3 and 4 years	**0.61**	0.49
Between 4 and 5 years	**4.42**	0.53
Beyond 5 years	**16.86**	16.61

29. 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.

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Cash and cash equivalents (a)	**78.11**	531.20
Borrowings (b)	**—**	—
Equity	**27,608.42**	28,620.08
Net debt (c = b-a)	**—**	—
Total capital (equity + net debt)	**27,608.42**	28,620.08
Gearing Ratio	**—**	—

30. 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 31-3-2018				
	FVTPL$	**FVTOCI$$**	**Amortized Cost**	**Total Carrying Value**	**Total Fair Value**	FVTPL$	FVTOCI$$	Amortized Cost	Total Carrying Value	Total Fair Value
Financial assets										
Trade receivables	—	—	**32,821.30**	**32,821.30**	**32,821.30**	—	—	35,801.52	35,801.52	35,801.52
Cash and cash equivalents	—	—	**78.11**	**78.11**	**78.11**	—	—	531.20	531.20	531.20
Other financial assets - current	—	—	**662.61**	**662.61**	**662.61**	—	—	654.76	654.76	654.76
Other financial assets - non-current	—	—	**22.90**	**22.90**	**22.90**	—	—	58.38	58.38	58.38
Total financial assets	—	—	**33,584.92**	**33,584.92**	**33,584.92**	—	—	37,045.86	37,045.86	37,045.86
Financial liabilities										
Trade payables	—	—	**16,622.08**	**15,252.32**	**16,622.08**	—	—	16,838.62	16,838.62	16,838.62
Other financial liabilities	—	—	**220.06**	**220.06**	**220.06**	—	—	5.00	5.00	5.00
Total financial liabilities	—	—	**16,842.14**	**15,472.38**	**16,842.14**	—	—	16,843.62	16,843.62	16,843.62

$ - 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, 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, 2019 (contd.)

As at 31st March, 2018 ₹ in Lakhs

Financial liabilities	<1 year	1-2 Years	2-5 Years	> 5 Years	Total
Trade payables	16,838.62	—	—	—	16,838.62
Other financial liabilities - Current	5.00	—	—	—	5.00
	16,843.62	—	—	—	16,843.62

(b) Interest rate risk

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

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**

As at 31st March, 2018 ₹ 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	—	—	58.38	58.38
Total Financial Assets - Non-Current	—	—	58.38	58.38
Trade receivables	—	—	35,801.52	35,801.52
Cash and cash equivalents	—	—	531.20	531.20
Other Financial Assets - Current	—	—	654.76	654.76
Total Financial Assets - Current	—	—	36,987.48	36,987.48

Financial Liabilities	Floating Rate Financial Liabilities	Fixed Rate Financial Liabilities	Non Interest Bearing Financial Liabilities	Total Financial Liabilities
Trade payables	—	—	16,838.62	16,838.62
Other financial liabilities - Current	—	—	5.00	5.00
Total Financial Liabilities - Current	—	—	16,843.62	16,843.62

(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, 2019 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, 2019 and 31st March, 2018:

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
Not past due	**33,409.42**	36,456.28
Due Less than 1 month	**74.49**	—
Total	**33,483.91**	36,456.28

(d) Foreign currency risk

The Company is exposed to the risk of changes in foreign exchange rates, primarily to the Company's operating activities (purchase of consumables in foreign currency).

The carrying amount of the Company's financial assets and liabilities as at 31st March, 2019 and as at 31st March, 2018 are denominated in INR, therefore there is no foreign currency exposure.

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, 25th April, 2019

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, 25th April, 2019

ROHINI INDUSTRIAL ELECTRICALS LIMITED

Directors:

P. N. Dhume *(Chairman)*
Anil George
Debendranath Sarangi
S. V. Phene
Sandhya S. Kudtarkar

DIRECTORS' REPORT

TO THE MEMBERS

The Directors take pleasure to present their Thirty-Sixth Annual Report and Audited Financial Statements for the year ended 31st March, 2019.

1. Financial Results:

₹ in crores

	2018-19	2017-18
Revenue from operations	**542.90**	172.85
Other income	—	0.56
Total expenses	**529.48**	171.23
Profit/(Loss) before Tax	**13.42**	2.18
Tax expense	**(29.84)**	2.03
Profit/(Loss) after Tax	**43.26**	0.15

(i) The Company has made a good turnaround and during 2018-19 secured new orders aggregating ₹ 1,031 crores for electrical projects in Madhya Pradesh, Maharashtra, East Zone (West Bengal) and Rajasthan. The Company has reported higher revenue of ₹ 543 crores for the year ended 31st March, 2019 as compared to ₹ 173 crores, last year. Profit Before Tax was higher at ₹ 13.42 crores as compared to ₹ 2 crores in the previous year. Net Profit of ₹ 43.26 crores for the year ended 31st March, 2019 was also higher as compared to ₹ 0.15 crore last year. Most of the legacy projects are closed.

(ii) In order to accelerate further growth, the Company has recently on 17th April, 2019, signed an Asset Transfer Agreement with Tata International Limited (TIL), for acquiring their Solar business, subject to satisfaction/completion of Conditions Precedent (CPs) as on the Closing Date. The transaction is expected to get completed by June 2019 and as part of the arrangement, all relevant employees of Solar business of TIL would be transferred to the Company. The consideration payable to TIL would be based on the Net Asset Value of Solar business as on 30th April, 2019 to be determined based on mutually accepted terms and conditions between the Company and TIL.

(iii) The Company had from time to time based on funds requirement, issued and allotted 0.01% Cumulative Redeemable Preference Shares (CRPS) of ₹ 100 each aggregating ₹ 127 crores to Voltas Limited for a period of 7 years each. The first tranche of CRPS (₹ 25 crores) was due for redemption on 29th March, 2019 and the second tranche (₹ 37 crores) was due for redemption on 1st October, 2020. In view of accumulated losses and inadequacy of Reserves, the Directors have at its Meeting held on 23rd January, 2019, proposed extension of the term of redemption of the aforesaid CRPS for further period of 7 years to 29th March, 2026 and 1st October, 2027, respectively or such period as may be determined by the Board. The Company had received consent from Voltas Limited (sole preference shareholder) for the aforesaid extension of redemption period of CRPS.

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 2018-19.

4. Corporate Social Responsibility:

In accordance with the requirement of Section 135 of the Companies Act, 2013 (the Act), the Board of Directors have, at its Meeting held on 26th April, 2019, constituted a Corporate Social Responsibility (CSR) Committee comprising Mr. Anil George, Ms. Sandhya S. Kudtarkar, Non-Executive Directors and Mr. S. V. Phene, Independent Director of the Company. Mr. Anil George is the Chairman of the CSR Committee.

5. Number of Board Meetings:

During the year under review, 6 Board Meetings were held on 3rd May, 2018; 26th July, 2018; 25th October, 2018; 23rd January, 2019, 7th March, 2019 and 28th March, 2019.

6. Directors and Key Managerial Personnel (KMP):

In accordance with the provisions of the Act and the Company's Articles of Association, Mr. Anil George retires by rotation and being eligible, offers himself for re-appointment.

Mr. M. Gopi Krishna, ceased to be a Director of the Company with effect from 23rd January, 2019. The Directors place on record their sincere appreciation of the valuable advice, guidance and support given by Mr. M. Gopi Krishna during his long tenure as Director of the Company from 14th May, 2010. Mr. M. Gopi Krishna had played a significantly important role in the turnaround of the Company.

Based on the recommendation of the Nomination & Remuneration Committee and subject to approval of the Members at the Thirty-Sixth Annual General Meeting (AGM), the Board has appointed Mr. Abhijeet Mukherjee as 'Manager and KMP' of the Company effective 1st April, 2019 in place of Mr. P. Kondal Rao. The Resolution seeking approval of Members for appointment of Mr. Abhijeet Mukherjee as Manager and KMP, forms part of the Notice of AGM of the Company.

7. Declaration by Independent Directors:

Pursuant to Section 149(7) of the Act, the Company has received declarations from Mr. Debendranath Sarangi and Mr. S. V. Phene, Independent Directors confirming that they meet the criteria of independence as specified in Section 149(6) of the Act.

8. Audit Committee:

Audit Committee comprise Mr. Anil George (Non-Executive Director), Mr. Debendranath Sarangi and Mr. S. V. Phene (Independent 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, 5 Audit Committee Meetings were held on 3rd May, 2018; 26th July, 2018; 25th October, 2018, 23rd January, 2019 and 28th March, 2019.

9. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee (NRC) comprise Mr. Anil George, Mr. Debendranath Sarangi and Mr. S. V. Phene. Mr. Anil George is the Chairman of NRC. During the year under review, 2 NRC Meetings were held on 7th March, 2019 and 28th March, 2019.

10. 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.

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 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 28th March, 2019. 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 26th April, 2019.

12. 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 2018-19 does not contain any qualification, reservation and adverse remark.

13. 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 2018-19. Their Secretarial Audit Report, in prescribed Form No. MR-3 is enclosed as Annexure III. Their Report does not contain any qualification, reservation or adverse remark. The Board has re-appointed them as Secretarial Auditor of the Company for 2019-20.

14. Risk Management:

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

15. 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 I to the Directors' Report.

16. 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.

17. 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).

18. 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 Complaints 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 2018-19.

19. Particulars of contracts or arrangements with related parties:

All related party transactions during 2018-19 were in the ordinary course of business and satisfied the test of arm's length. Details in prescribed Form No. AOC-2 is annexed to this Report as Annexure II.

20. 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).

21. 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, 2019, 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.

22. General:

As regards item of Special Business in the Notice of 36th AGM, the Resolution incorporated in the Notice and the Explanatory Statement annexed thereto fully indicate the reason for seeking the approval of the shareholders to the proposal. Attention of the shareholders is drawn to this Resolution.

On behalf of the Board of Directors

P. N. Dhume
Chairman

Mumbai, 26th April, 2019

Annexure I

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2019

[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 1-4-2018)				No. of Shares held at the end of the year (As on 31-3-2019)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian-Bodies corporate	18,25,775	7	18,25,782	100	18,25,782	0	18,25,782	100	0
(2) Foreign	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Shareholding of Promoter	**18,25,775**	**7**	**18,25,782**	**100**	**18,25,782**	**0**	**18,25,782**	**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)	**18,25,775**	**7**	**18,25,782**	**100**	**18,25,782**	**0**	**18,25,782**	**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 1-4-2018)				No. of Shares held at the end of the year (As on 31-3-2019)				% 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 1-4-2018)			Shareholding at the end of the year (As on 31-3-2019)			% 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	18,25,775	100%	Nil	18,25,775	100%	Nil	0
2.	Voltas Limited jointly with Sanjay Johri	1	—	Nil	0	—	Nil	0
3.	Voltas Limited jointly with Pradeep Bakshi	0	—	Nil	1	—	Nil	0
4.	Voltas Limited jointly with M. Gopi Krishna	1	—	Nil	0	—	Nil	0
5.	Voltas Limited jointly with Anil George	1	—	Nil	1	—	Nil	0
6.	Voltas Limited jointly with Abhijit Gajendragadkar	0	—	Nil	1	—	Nil	0
7.	Voltas Limited jointly with V. P. Malhotra	1	—	Nil	1	—	Nil	0
8.	Voltas Limited jointly with Utsav Shah	1	—	Nil	1	—	Nil	0
9.	Voltas Limited jointly with Vinod Chandrashekar	1	—	Nil	1	—	Nil	0
10.	Voltas Limited jointly with Rajesh Bhatia	1	—	Nil	1	—	Nil	0
	Total	**18,25,782**	**100%**	**Nil**	**18,25,782**	**100%**	**Nil**	**0**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1-4-2018)			Shareholding at the end of the year (As on 31-3-2019)			% 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	
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 1-4-2018)					
(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 1-4-2018 and 31-3-2019			
At the end of the year (As on 31-3-2019)					
(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 1-4-2018)					
1.	P. N. Dhume	0	0	0	0
2.	Anil George	1*	0	1*	0
3.	M. Gopi Krishna	1*	0	1*	0
4.	Debendranath Sarangi	0	0	0	0
5.	S. V. Phene	0	0	0	0
6.	Sandhya S. Kudtarkar	0	0	0	0
Key Managerial Personnel					
1.	P. Kondal Rao (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.)		Nil			

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 (31-3-2019)					
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.	P. Kondal Rao (Manager)	0	0	0	0
2.	Vishal Totla (Company Secretary)	0	0	0	0
3.	Sachin Tamhane (CFO)	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	21.42	—	—	21.42
(ii) Interest due but not paid	—	4.52	—	4.52
(iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	**21.42**	**4.52**	**—**	**25.94**
Change in Indebtedness during the financial year				
- Addition	49.03	—	—	49.03
- Reduction	—	4.52	—	4.52
Net Change	49.03	(4.52)	—	44.51
Indebtedness at the end 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**

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
		P. Kondal Rao
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	35.09
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.60
	(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	3.04
	Total	38.73
	Ceiling as per the Act	60.00

B. Remuneration to other Directors: Sitting fees is paid to Mr. Debendranath Sarangi (₹ 2.00 lakhs), Mr. S. V. Phene (₹ 2.80 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	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	19.87	12.40	32.27
	(a) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	Nil	Nil	Nil
	(c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission - as % of profit - others, specify	Nil	Nil	Nil
5.	Others – Provident Fund and Superannuation	0.68	0.44	1.12
	Total	20.55	12.84	33.39

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: Nil

On behalf of the Board of Directors

P. N. Dhume
Chairman

Mumbai, 26th April, 2019

Annexure II

Form No. AOC-2

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

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

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

   The Company has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2018-19.

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. 31 of the financial statements for the year ended 31st March, 2019.

   (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 31 of the financial statements for the year ended 31st March, 2019.

   (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

P. N. Dhume
Chairman

Mumbai, 26th April, 2019

Annexure III

SECRETARIAL AUDIT REPORT

Form No. MR-3

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2019

[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, 2019 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, 2019 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;

(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, 2009;

   (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 Fund 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. 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 with proper balance of Non-Executive Directors and Independent Directors. The change in the composition of the Board of Directors 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.

We further report that during the audit period, no specific event has taken place which has any major bearing on the Company affairs.

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

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

Mumbai, 17th April, 2019

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) 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, 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

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

Mumbai, 17th April, 2019

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, 2019, 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 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, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

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

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

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

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

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making 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.

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 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 system 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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, 2019 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 27 to the Ind AS financial statements;

      (ii) Provision has been made in the Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any including derivative contracts; and

      (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

Mumbai, April 26, 2019

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) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.

(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 Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.

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

(b) According to the information and explanations given to us, 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 to 2008-09, 2011-12 to 2012-13, 2014-15	667.24	480.09
		Commissioner of Appeals	2005-06 to 2015-16	765.22	709.46
		High Court	2012-13	715.95	715.95
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 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 Sections 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

Mumbai, April 26, 2019

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, 2019 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, 2019, 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

Mumbai, April 26, 2019

Membership Number: 38730

BALANCE SHEET AS AT 31ST MARCH, 2019

	Notes	₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
A. ASSETS			
1. NON-CURRENT ASSETS			
(a) Property, plant and equipment	4	**94.66**	80.22
(b) Intangible assets	4	**6.01**	6.94
(c) Financial assets			
Other financial assets	5A	—	—
(d) Income tax assets (Net)	6	**186.63**	7.37
(e) Deferred tax assets (Net)	7	**3,965.62**	—
(f) Other non-current assets	8A	**847.60**	619.26
Total non-current assets		**5,100.52**	713.79
2. CURRENT ASSETS			
(a) Financial assets			
(i) Trade receivables	9	**4,214.23**	6,417.00
(ii) Cash and cash equivalents	10	**1.11**	1.21
(iii) Other bank balances	11	**9.66**	9.15
(iv) Other financial assets	5B	**242.22**	280.97
(b) Contract assets	12	**20,887.90**	—
(c) Other current assets	8B	**2,489.66**	9,614.63
Total current assets		**27,844.78**	16,322.96
TOTAL ASSETS		**32,945.30**	17,036.75
B. EQUITY AND LIABILITIES			
1. EQUITY			
Equity share capital	13	**182.58**	182.58
Other equity	14	**1,887.16**	(4,062.13)
Total equity		**2,069.74**	(3,879.55)
2. LIABILITIES			
NON-CURRENT LIABILITIES			
(a) Financial liabilities			
(i) Non--Current borrowing	15A	**7,200.52**	6,794.23
(b) Provisions	16A	**11.18**	7.55
Total non-current liabilities		**7,211.70**	6,801.78
3. CURRENT LIABILITIES			
(a) Financial liabilities			
(i) Current borrowing	15B	**7,045.04**	4,414.25
(ii) Trade payables			
(a) total outstanding of micro enterprises and small enterprises		**58.97**	10.77
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		**16,076.78**	9,028.38
(iii) Other financial liabilities	17	—	452.01
(b) Provisions	16B	**82.99**	38.44
(c) Other current liabilities	18	**363.48**	139.10
(d) Contract liabilities	19	**36.60**	—
(e) Current tax liabilities	20	—	31.57
Total current liabilities		**23,663.86**	14,114.52
TOTAL EQUITY AND LIABILITIES		**32,945.30**	17,036.75
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, 26th April, 2019

For and on behalf of the Board of Directors

Chairman	**P. N. Dhume**
Director	**Anil George**
Manager	**Abhijeet Mukherjee**
Chief Financial Officer	**Sachin Tamhane**
Company Secretary	**Vishal Totla**

Mumbai, 26th April, 2019

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

		Notes	₹ In Lakhs	2017-18 ₹ In Lakhs
1.	**INCOME**			
	(a) Revenue from operations	21	**54,289.81**	17,285.41
	(b) Other income	22	**0.56**	56.27
	TOTAL INCOME		**54,290.37**	17,341.68
2.	**EXPENSES**			
	(a) Cost of jobs and services		**48,001.63**	14,071.97
	(b) Employee benefits expense	23	**1,846.02**	704.43
	(c) Finance costs	24	**1,504.68**	913.62
	(d) Depreciation and amortisation expenses	4	**25.90**	14.87
	(e) Other expenses	25	**1,570.31**	1,418.58
	TOTAL EXPENSES		**52,948.54**	17,123.47
3.	**PROFIT BEFORE TAX**		**1,341.83**	218.21
4.	**TAX EXPENSE**			
	(a) Current tax expense		**459.35**	203.85
	Adjustment related to earlier period		**(92.59)**	—
	(b) Deferred tax credit	34	**(3,351.17)**	—
	TOTAL TAX EXPENSE		**(2,984.42)**	203.85
5.	**PROFIT FOR THE YEAR**		**4,326.25**	14.36
6.	**OTHER COMPREHENSIVE INCOME**			
	Items that will not be reclassified to profit or loss:			
	Remeasurement of defined benefit plan (net of income tax effect)		**(7.65)**	1.56
7.	**TOTAL COMPREHENSIVE INCOME (NET OF INCOME TAXES)**		**(7.65)**	1.56
8.	**TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR**		**4,318.60**	15.92
9.	**EARNINGS PER EQUITY SHARE**	29		
	Basic and Diluted - (₹)		**236.95**	0.79
	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
Partner
Membership No. 38730

Mumbai, 26th April, 2019

For and on behalf of the Board of Directors

Chairman **P. N. Dhume**
Director **Anil George**
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Sachin Tamhane**
Company Secretary **Vishal Totla**

Mumbai, 26th April, 2019

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

A. Equity share capital **₹ In Lakhs**

	₹ In Lakhs
Balance at 31st March, 2017	182.58
Changes in equity share capital	—
Balance at 31st March, 2018	182.58
Changes in equity share capital	—
Balance at 31st March, 2019	**182.58**

B. Other equity **₹ In Lakhs**

	Notes	Reserves and surplus				
		General Reserve	**Securities Premium**	**Retained Earnings**	**Equity component of liability**	**Total other equity**
Balance at 31st March, 2017		2,053.76	492.43	(12,093.50)	5,469.26	(4,078.05)
Profit for the year		—	—	14.36	—	14.36
Other Comprehensive Income for the year (net of income taxes)		—	—	1.56	—	1.56
Total Comprehensive Income for the year		—	—	15.92	—	15.92
Balance 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 (net of income taxes)		—	—	(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 at 31st March, 2019		**2,053.76**	**492.43**	**(8,903.11)**	**8,244.08**	**1,272.71**
Significant Accounting Policies	2					

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

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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, 26th April, 2019

For and on behalf of the Board of Directors

Chairman **P. N. Dhume**
Director **Anil George**
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Sachin Tamhane**
Company Secretary **Vishal Totla**

Mumbai, 26th April, 2019

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2019

			2017-18
		₹ In Lakhs	₹ In Lakhs
A.	**Cash flow from Operating Activities**		
	Profit before tax	**1,341.83**	218.21
	Adjustments for:		
	Unclaimed credit balances written back	**(130.03)**	(91.98)
	Interest income	**(0.56)**	(27.97)
	Finance costs	**1,504.68**	913.62
	Depreciation and amortisation expenses	**25.90**	14.87
	Bad and doubtful debts/advances	**426.15**	190.56
	Provisions for employee benefits	**58.68**	31.89
	Property, plant and equipment written off	**7.25**	—
		3,233.90	1,249.20
	Movements in working capital:		
	Adjustments for (increase)/decrease in operating assets:		
	Trade receivables	**269.29**	516.65
	Financial assets	**16.83**	(268.57)
	Other current assets (including contract assets)	**(14,219.91)**	(7,250.51)
	Adjustments for increase/(decrease) in operating liabilities:		
	Trade payables	**7,192.89**	5,750.42
	Other financial liabilities	**(452.01)**	(200.00)
	Other current liabilities (including contract liabilities)	**275.34**	(1,344.19)
	Cash generated from operations	**(3,683.67)**	(1,547.00)
	Income tax paid	**(577.57)**	(102.89)
	Net cash generated from Operating Activities (A)	**(4,261.24)**	(1,649.89)
B.	**Cash flow from Investing Activities**		
	Purchase of property, plant and equipment	**(46.65)**	(42.43)
	Interest received	**0.56**	27.97
	Proceeds from fixed deposits (margin money)	**—**	(9.15)
	Net cash generated from/(used in) Investing Activities (B)	**(46.09)**	(23.61)
C.	**Cash flow from financing activities**		
	Proceeds from short-term borrowings	**4,903.52**	1,454.84
	Interest paid	**(596.29)**	(89.25)
	Net cash generated from/(used in) Financing Activities (C)	**4,307.23**	1,365.58
	Net increase/decrease in cash and cash equivalents (A+B+C)	**(0.10)**	(307.91)
	Cash and cash equivalents at the beginning of the year	**1.21**	309.12
	Cash and cash equivalents at the end of the year (Refer Note 9)	**1.11**	1.21

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, 26th April, 2019

For and on behalf of the Board of Directors

Chairman **P. N. Dhume**
Director **Anil George**
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Sachin Tamhane**
Company Secretary **Vishal Totla**

Mumbai, 26th April, 2019

1. CORPORATE INFORMATION

Rohini Industrial Electricals Limited (the "Company") is a public limited company and is 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. The Company predominately deals in Rural Electrification and Distribution, Power Augmentation & Separation, Substations & Industrial electrification, etc.

The financial statements for the year ended 31st March, 2019 were approved by the Board of Directors and authorised for issue on 26th April, 2019.

2. 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).

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 Ministry of Corporate Affairs (MCA), effective for annual period beginning from on or after 1st April, 2018.

(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 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.

(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) 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. The Company has concluded that it is the principal in its revenue arrangements.

(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 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. 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.

The Company has applied Ind AS 115 using the modified retrospective method w.e.f. 1st April, 2018 and therefore the comparative information has not been restated and continues to be reported under Ind AS 18 and Ind AS 11 as follows:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for trade discounts, rebates and other similar allowances. Revenue includes excise duty however excludes GST, sales tax, value added tax, works contract and any other indirect taxes or amounts collected on behalf of the Government.

- **Revenue from construction contracts under Ind AS 18**

  When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

  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 atleast 20% of the construction costs and it is reasonably expected that the counterparty will comply with the payment terms in the agreements.

  When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

  When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

  When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work.

  Amounts received before the related work is performed are included in the Balance Sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the Balance Sheet under trade receivables.

(b) Interest income

Interest income is recognised using the effective interest method.

(E) 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 (M) 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

(F) 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.

(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.

(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.

(G) 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.

(H) 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 and Loss when the asset is derecognised.

(I) 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.

(J) LEASES

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.

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.

(K) 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 countries 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

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.

(L) 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.

(M) 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**

  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 and 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.

- **Derecognition**

  The Company derecognises 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.

Financial Liabilities

- **Initial recognition and measurement**

  Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

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

- **Classification as debt or equity**

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

- **Equity instruments**

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

- **Subsequent measurement**

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

  (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 recognised 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 the Statement of Profit and L oss.

  (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 derecognised 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.

- **Derecognition**

  A financial liability is derecognised 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 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.

(N) 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.

(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 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

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.

(O) 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.

(P) EARNINGS 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.

(Q) 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 Electrical Installation Work and Electrical Engineering Services, including supply of materials which constitute its only business and primary segment.

(R) Operating cycle

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 projects/contracts, which will not be realised/paid within one year, have been classified as current.

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. The Company's management is confident that the costs to complete the project are fairly estimated.

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 its 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 9 and Note 12.

Litigations

From time to time, the Company is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the loss can be reasonably estimated. Significant judgement is made when evaluating, among other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each Balance Sheet date and revisions made for the changes in facts and circumstances. Provision for litigations and contingent liabilities are disclosed in Note 27.

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 32.

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

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 supersedes Ind AS 11 Construction Contracts and Ind AS 18 Revenue and it applies, with limited exceptions, to all revenue arising from contracts with customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Ind AS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted Ind AS 115 using the modified retrospective method of adoption with the date of initial application of 1st April, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1st April, 2018.

The cumulative effect of initially applying Ind AS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under Ind AS 11 and Ind AS 18.

The effect of adopting Ind AS 115 as at 1st April, 2018 was as follows;

(1) 'Amount due from Customers under construction contracts' classified as other current assets as at 31st March, 2018 has been classified as Contract Assets.

(2) 'Advances received from customers', 'Amount due to customers under construction contracts' classified as other current/non-current liability as at 31st March, 2018 has been classified as 'Contract Liabilities'.

(3) Impairment losses recognised of ₹ 1,758.58 lakhs (₹ 1,144.13 lakhs net of tax) on contract assets outstanding as of 1st April, 2018 based on ECL Model.

(4) The cumulative effect of applying Ind AS 115 of ₹ 1,144.13 lakhs net of tax recognised as an adjustment to the opening balance of retained earnings.

(5) The application of Ind AS 115 did not have any significant impact on the profit and EPS for the year ended 31st March, 2019.

3C. RECENT ACCOUNTING PRONOUNCEMENTS

Standards issued but not yet effective

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

Ind AS 116- Leases

Ind AS 116 Leases was notified in March 2019 and it replaces Ind AS 17 Leases. Ind AS 116 is effective for annual periods beginning on or after 1st April, 2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. Lessor accounting under Ind AS 116 is substantially unchanged from accounting under Ind AS 17. Ind AS 116 requires lessees and lessors to make more extensive disclosures than under Ind AS 17. As the Company does not have any material leases, therefore the adoption of this standard is not likely to have a material impact on its financial statements.

Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in Statement of Profit and Loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to 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 Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty; (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount; (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 109- Financial Instruments (amendments relating to prepayment features with negative compensation)

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

Ind AS 19 – Employee Benefits (amendments relating to plan amendment, curtailment or settlement)

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

Ind AS 23- Borrowing Cost

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. The Company does not expect this amendment to have any significant impact on its financial statements.

Ind AS 28 – Long term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies Ind AS 109 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. The Company does not currently have any such long term interests in associates and joint ventures.

Ind AS 103 – Business Combinations and Ind AS 111 - Joint Arrangements

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business. The Company will apply the pronouncement if and when it obtains control/joint control of a business that is a joint operation.

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 Software	Grand Total
Gross carrying amount							
As at 1st April, 2017	62.56	4.63	47.63	33.03	147.85	53.71	201.56
Additions	—	2.87	34.98	—	37.85	4.68	42.53
Disposals/transfer	—	—	—	—	—	—	—
As at 31st March, 2018	62.56	7.50	82.61	33.03	185.70	58.39	244.09
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**
Accumulated Depreciation							
As at 1st April, 2017	19.07	3.69	37.25	31.03	91.04	51.02	142.06
Charge for the year	5.41	1.48	7.35	0.20	14.44	0.43	14.87
Disposals/transfer	—	—	—	—	—	—	—
As at 31st March, 2018	24.48	5.17	44.60	31.23	105.48	51.45	156.93
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**
Net carrying amount as at 31st March, 2018	38.08	2.33	38.01	1.80	80.22	6.94	87.16
Net carrying amount as at 31st March, 2019	**27.58**	**8.68**	**57.49**	**0.90**	**94.66**	**6.01**	**100.67**

5. Other financial assets (At amortised cost)

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
(A) Non-current		
Deposits (Credit impaired)	**60.10**	58.54
Less : Impairment allowance (Credit impaired)	**60.10**	58.54
	—	—
(B) Current (Unsecured, Considered good)		
Other receivables and deposits (Unsecured, Considered good)	**18.04**	13.97
Claims receivable from customer	**244.45**	264.40
Less: Allowance for Other claim receivable	**(20.27)**	—
Interest receivable	**—**	2.60
	242.22	280.97

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

6. Income tax assets (Net)

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
Advance income tax (Net)	**186.63**	7.37

7. Deferred tax assets (Net)

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
MAT Credit entitlement	**570.60**	—
Deferred Tax Assets	**3,395.02**	—
	3,965.62	—

8. Other assets

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
(A) Non current		
Advance to suppliers	**24.32**	7.81
Advances to employees	**34.25**	34.11
Less : Impairment allowance (Credit impaired)	**(58.57)**	(41.92)
Deposits for tax and other statutory dues	**847.60**	619.26
	847.60	619.26
(B) Current		
Advance to suppliers	**51.26**	111.22
Advances to employees	**11.19**	11.14
Amount due from customers under construction contracts (Refer footnote 5 of Note 12)	**—**	8,337.63
Balance with statutory and government authorities	**2,373.70**	1,134.16
Prepaid expenses	**51.23**	20.48
Gratuity	**2.28**	—
	2,489.66	9,614.63

9. Trade Receivables (unsecured)

		As at 31-3-2018
	₹ in Lakhs	₹ in Lakhs
Trade receivables	**7,184.56**	7,453.85
Less: Impairment Allowance	**(2,970.33)**	(1,036.85)
Gross Trade Receivables	**4,214.23**	6,417.00

Footnotes:

(a) Trade Receivables - breakup

(i) Trade Receivable - considered good	**5,717.32**	6,706.08
(ii) Trade Receivables - credit impaired	**1,467.25**	747.78
	7,184.57	7,453.85
Less : Impairment allowance	**(2,970.33)**	(1,036.85)
	4,214.24	6,417.00

(b) Gross receivable includes receivable from holding company of ₹ 2,850.19 lakhs (31st March, 2018: ₹ 2,725.70 lakhs).

(c) As at March 2019, trade receivable has decreased on account of better collection as compared to March 2018.

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

10. Cash and Cash equivalents

	₹ in Lakhs	As at 31-3-2018 ₹ in Lakhs
Balances with bank in current account	**1.11**	1.21

11. Other Bank Balances

	₹ In Lakhs	As at 31-3-2018 ₹ in Lakhs
Balance held as margin money with bank	**9.66**	9.15

12. Contract assets (Unsecured)

	₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
Amount due from customers under construction contracts	**21,096.37**	—
Less: Impairment Allowance	**(208.47)**	—
	20,887.90	—

Footnotes:

(1) Contract assets - breakup

(i) Considered good - Unsecured	**20,887.90**	—
(ii) Receivables - credit impaired	**—**	—
	20,887.90	—
Less : Impairment allowance	**(208.47)**	**—**
	20,679.43	**—**

(2) 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. There is increase in the contract assets balances on account of increase in operations of business as compared to March 2018.

(3) 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 31-3-2018 ₹ In Lakhs
(4) Movement in ECL allowance on trade receivable and contract assets		
Balance at the beginning of the year	**(6,417.00)**	2,772.04
Add: Ind AS 115 Transition Impact	**1,758.58**	—
Less: Utilisation/reversal during the year	**—**	(1,918.09)
Add: Allowance during the year	**383.37**	182.90
Total allowance as on 31st March, 2019	**(4,275.05)**	1,036.85

(5) As the Company has adopted modified retrospective approach, no reclassification have been made for contract assets as at 31st March, 2018 and the corresponding balances as at 31st March, 2018 are shown under "Other current assets" as "Amount due from customers under construction contracts".

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

13. Equity share capital

	₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
Authorised Share Capital		
50,00,000 (31st March,2018: 50,00,000) equity shares of ₹ 10 each	**500.00**	500.00
Issued, subscribed and paid up shares		
18,25,782 (31st March, 2018: 18,25,782) equity Shares of ₹ 10 each	**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, 2018	
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, 2018	
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, 2019 (31st March, 2018: Nil).

14. Other equity

		₹ In Lakhs	As at 31-3-2018 ₹ 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**	5,469.26
(d)	Retained earnings	**(8,903.11)**	(12,077.58)
		1,887.16	(4,062.13)

		₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
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	**5,469.26**	5,469.26
	Addition during the year	**2,774.82**	—
	Balance at the end of the year	**8,244.08**	5,469.26
(d)	**Retained earnings**		
	Balance at the beginning of the year	**(12,077.58)**	(12,093.50)
	Net Profit for the year	**4,326.25**	14.36
	Ind AS 115 Transition Impact	**(1,758.58)**	—
	Deferred tax on above impact	**614.45**	—
	Re-measurement of post employment benefit obligation	**(7.65)**	1.56
	Balance at the end of the year	**(8,903.11)**	(12,077.58)

Footnotes: Nature and purpose of reserves

(a) General Reserve

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

(b) Securities Premium

Securities premium represents amount received in excess of face value of shares, at the time of issue of shares.

(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 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.

15. Borrowing (At Amortised cost)

		₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
(A)	**Non - Current**		
	Redeemable preference shares [to holding company - Refer Note (i)]	**7,200.52**	6,794.23
(B)	**Current**		
	Redeemable preference shares [to holding company - Refer Note (i)]	—	2,272.73
	Loans repayable on demand from bank - overdrafts [Refer Note (ii)]	**7,045.04**	2,141.52
		7,045.04	4,414.25

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

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 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 an overdraft facility of ₹ 45,000 lakhs (including fund based ₹ 15,000 lakhs and non fund based limits ₹ 30,000 lakhs) repayable on demand from ICICI Bank Ltd. having an effective interest rate in the range of 8.55% to 9.15%. As at 31st March, 2019, the facility is utilised to the extent of ₹ 27,241.76 lakhs (fund based ₹ 7,045.04 lakhs and non fund based ₹ 20,196.72 lakhs). The facility is secured by way of charge on the moveable property, plant and equipment and financial and non-financial assets of the Company. Further, the overdraft facility is also secured by a corporate guarantee which is issued by Voltas Limited (holding company) in favour of the bank.

16. Provisions

	₹ **In Lakhs**	As at 31-3-2018 ₹ In Lakhs
(A) Non Current		
Gratuity (Refer Note 32)	—	—
Post-retirement compensated absences	**11.18**	7.55
(B) Current		
Gratuity (Refer Note 32)	—	11.11
Compensated absences	**2.54**	2.15
Provision for pending sales tax forms	**80.45**	25.18
	82.99	38.44

17. Other financial liabilities (At amortised cost)

	₹ **In Lakhs**	As at 31-3-2018 ₹ In Lakhs
Interest accrued (Payable to holding company)	—	452.01

18. Other current liabilities

	₹ **In Lakhs**	As at 31-3-2018 ₹ In Lakhs
Advance received from customers (Refer footnote 2 of Note 19)	—	45.87
Amount due to customers under construction contracts (Refer footnote 2 of Note 19)	—	64.10
Statutory dues (withholding taxes, GST etc.)	**363.48**	29.13
	363.48	139.10

19. Contract Liabilities

	₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
Amount due to customers under construction contracts	**16.60**	—
Advance received from customers	**20.00**	—
	36.60	—

Footnotes:

(1) The outstanding balances of the contract liabilites as at 31st March, 2018 were higher on account of higher advance received and billing in excess against which the revenue is recognised during the year on account of execution of projects.

(2) As the Company has adopted modified retrospective approach, no reclassification have been made for contract liabilites as at 31st March, 2018 and the corresponding balances as at 31st March, 2018 as shown under "Other current liabilites" as " Advances received from customers", and "Amount due to customers under construction contracts".

20. Current tax liabilities

	₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
Current tax liabilities (net)	—	31.57

21. Revenue from operations

	₹ In Lakhs	2017-18 ₹ In Lakhs
(a) Revenue from Contracts with customers		
Construction contract revenue	**54,159.78**	17,186.77
(b) Other operating revenue		
Unclaimed credit balances written back	**130.03**	91.98
Sale of scrap	**—**	6.66
	54,289.81	17,285.41

22. Other income

	₹ In Lakhs	2017-18 ₹ In Lakhs
(a) Interest Income on		
Income tax refund	**0.02**	13.12
On deposits with banks	**0.54**	0.34
Interest income under MSMED Act, 2006	**—**	14.51
(b) Others		
Other Income	**—**	28.30
	0.56	56.27

23. Employee benefits expense

	₹ In Lakhs	2017-18 ₹ In Lakhs
Salaries and wages including bonus	**1,744.14**	652.22
Company's contribution to provident and other funds	**49.69**	13.55
Gratuity Expense (Refer Note 32)	**6.36**	4.84
Staff welfare expenses	**45.83**	33.82
	1,846.02	704.43

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

24. Finance costs

		2017-18
	₹ In Lakhs	₹ In Lakhs
Interest expense on preference shares	**908.39**	824.37
Interest expense - bank borrowings and others	**596.29**	89.25
	1,504.68	913.62

25. Other expenses

		2017-18
	₹ In Lakhs	₹ In Lakhs
Outside service charges	**247.48**	643.85
Travelling and conveyance	**89.94**	67.83
Insurance charges	**45.45**	111.90
Rates and taxes	**43.43**	94.51
Rent	**152.35**	78.35
Printing and stationery	**18.87**	13.70
Legal and professional charges	**60.77**	36.93
Payment to auditors (Refer Note 26)	**19.91**	20.80
Power and fuel	**16.78**	9.49
Advances written off	**4.22**	7.66
Expected credit loss for trade receivable and contract assets	**383.37**	182.90
Allowance for doubtful debts and advances	**38.57**	—
Loss on sale of fixed assets (net)	**7.25**	—
Hire charges	**239.81**	63.69
Provision for pending sales tax forms	**55.27**	12.96
Bank Charges	**67.69**	24.23
Miscellaneous expenses	**79.15**	49.77
	1,570.31	1,418.58

26. Payment to auditors

		2017-18
	₹ In Lakhs	₹ In Lakhs
To statutory auditors for:		
(i) Audit Fees (including tax audit fees)	**18.00**	19.83
(ii) Other services	**0.30**	—
(ii) Reimbursement of expenses	**1.61**	0.97
	19.91	20.80

27. Commitments and Contingencies

		₹ **In Lakhs**	As at 31-3-2018 ₹ 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)	**111.02**	127.40
	Taxes, Cess and Duties (other than Income Tax)	**2,201.19**	2,417.60
		2,312.21	2,545.00

(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.

28. 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.

The Company is engaged solely in the business of Electrical Installation Work and Electrical Engineering Services, including supply of materials which constitute its only business and primary segment. The contracts are executed within India. Hence the activities of the Company have been disclosed as a single segment as per Ind AS 108 on 'Segment Reporting'. The largest customer of the Company is holding company. Revenue recognised from contracts with holding company amounts to ₹ 54,333.52 lakhs (Previous year: ₹ 16,480.69 lakhs). Apart from it, the Company does not have significant revenue from single counterparty.

29. Earnings Per Share

	₹ **In Lakhs**	2017-18 ₹ In Lakhs
Profit After Tax (₹ in Lakhs)	**4,326.25**	14.36
Weighted average number of Equity Shares	**18,25,782**	18,25,782
Basic and Diluted Earnings per share of ₹ 10 each (in ₹)	**236.95**	0.79

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

		₹ **In Lakhs**	As at 31-3-2018 ₹ In Lakhs
(i)	Principal	**53.82**	0.65
(ii)	Interest due	**0.27**	0.15
(iii)	The amount of interest paid/adjusted along with the amounts of the payment made to the supplier beyond the appointed day.	**7.83**	—
(iv)	The amount of interest due and payable for the year.	**0.52**	0.52
(v)	The amount of interest accrued and remaining unpaid at the end of accounting year.	**12.19**	9.45
(vi)	Total outstanding dues of Micro, Small and Medium Enterprises.		
	- Principal	**53.82**	0.65
	- Interest	**5.15**	10.12
		58.97	10.77

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

31. Related Party Transactions

A. List of related party and relationships

Sr. 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	P. Kondal Rao (w.e.f. 1st April, 2018 till 31st March, 2019)	Key Managerial person
	Abhijeet Mukherjee (w.e.f. 1st April, 2019)	
	Indranil Chakraborty (w.e.f. 1st August, 2016 till 31st March, 2018)	
vi	Mr. Debendranath Sarangi	Non Executive Directors
	Mr. Shreeharsha V. Phene	
	Ms. Sandhya Shailesh Kudtarkar	

B. Related party transactions

(₹ In Lakhs)

Sr. no.	Year	Transactions	Holding company	Ultimate parent company has significant control	Ultimate parent company has significant influence	Non Executive Directors
1	2018-19	Construction contract revenue (against which billed ₹ 40,619 lakhs; Previous year: ₹ 10,877 lakhs)	**54,332.52**	—	—	—
	2017-18		16,480.69	—	—	—
2	2018-19	Interest accrual on MSME balances	—	—	—	—
	2017-18		14.51	—	—	—
3	2018-19	Reimbursement of staff cost (net)* and other expenses #	**908.81**	—	—	—
	2017-18		824.37	—	—	—
4	2018-19	Purchase of property, plant and equipment	—	**7.65**	—	—
	2017-18		—	—	—	—
5	2018-19	Others expenses	—	—	**5.46**	—
	2017-18		—	—	—	—
6	2018-19	Sitting Fees	—	—	—	**6.00**
	2017-18		—	—	—	5.80
7	2018-19	Debit closing balance at the end of the year	**23,371.34**	—	—	—
	2017-18		9,550.73	—	—	—
8	2018-19	Credit closing balance at the end of the year	**7,687.32**	2.35	—	—
	2017-18		10,153.92	9.17	—	—

* Includes reimbursement of cost related to Key Managerial Personnel.
# Includes rent, facility management, professional charges and project related expenses.

Footnotes:

(i) All related party transactionns 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 the Voltas Limited (holding company) in favour of the bank.

32. 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 ₹ 49.69 lakhs (for the year ended 31st March, 2018: ₹ 13.55 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 Statement of Profit and Loss as 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:

		2017-18
Discount rate(s)	**7.48%**	7.65%
Expected rate(s) of salary increase	**8.00%**	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	2017-18 ₹ In Lakhs
Current service cost	**5.51**	4.05
Net interest expense	**0.85**	0.79
Components of defined benefit costs recognised in profit or loss	**6.36**	4.84

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

	₹ In Lakhs	2017-18 ₹ In Lakhs
Actuarial (Gains)/Losses arising from changes in financial assumptions	**0.35**	(0.77)
Actuarial (Gains)/Losses arising from changes in demographic assumptions	**—**	(0.77)
Actuarial (Gains)/Losses arising from experience adjustments	**8.23**	(0.92)
Actual return on plan assets less interest on plan assets	**(0.93)**	0.90
Components of defined benefit costs recognised in other comprehensive income	**7.65**	(1.56)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

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

	₹ In Lakhs	2017-18 ₹ In Lakhs
Opening defined benefit obligation	**25.04**	25.49
Current service cost	**5.51**	4.05
Interest cost	**1.91**	1.77
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	**0.35**	(0.77)
Actuarial (gains)/losses arising from changes in demographic assumptions	**—**	(0.77)
Actuarial gains and losses arising from experience adjustments	**8.23**	(0.92)
Benefits paid	**(8.44)**	(3.81)
Closing defined benefit obligation	**32.60**	25.04

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

	₹ In Lakhs	2017-18 ₹ In Lakhs
Opening fair value of plan assets	**13.93**	14.08
Interest income	**1.06**	0.98
Remeasurement gain (loss):		
Actual return on plan assets less interest on plan assets	**0.93**	(0.90)
Contributions from the employer	**27.40**	3.58
Benefits paid	**(8.44)**	(3.81)
Closing fair value of plan assets	**34.88**	13.93

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	2017-18 ₹ In Lakhs
Present value of funded defined benefit obligation at the end of the period	**(32.60)**	(25.04)
Fair value of plan assets at the end of the period	**34.88**	13.93
Net (liability)/assets arising from defined benefit obligation	**2.28**	(11.11)

(g) Sensitivity analysis:

	₹ In Lakhs	2017-18 ₹ In Lakhs
Projected Benefit Obligation on Current Assumptions	**32.60**	25.04
Delta Effect of +1% Change in Rate of Discounting	**(1.95)**	(1.00)
Delta Effect of -1% Change in Rate of Discounting	**2.21**	1.12
Delta Effect of +1% Change in Rate of Salary Increase	**2.18**	1.10
Delta Effect of -1% Change in Rate of Salary Increase	**(1.96)**	(1.01)
Delta Effect of +1% Change in Rate of Employee Turnover	**(0.60)**	(0.08)
Delta Effect of -1% Change in Rate of Employee Turnover	**0.63**	0.08

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, 2019 is 7 years (as at 31st March, 2018: 6 years). There were no deferred or retired members.

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

	₹ In Lakhs	2017-18 ₹ In Lakhs
Within 1 year	**6.68**	4.61
Between 1 and 2 years	**1.71**	4.01
Between 2 and 3 years	**1.66**	5.88
Between 3 and 4 years	**1.88**	1.60
Between 4 and 5 years	**4.02**	2.50
Beyond 5 years	**16.65**	6.44

33. Going concern basis

The Company net worth is eroded. However, 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 of infusion of funds from time to time; and
- Expected cash flows and profitability from outstanding orders of more than ₹ 830 crores with the Company as on the reporting date.

34. 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, 2018 and 31st March, 2019

	₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
(a) Deferred tax assets	**3,965.62**	—
Reconciliation of deferred tax assets (net):		
Opening balance	**—**	—
Tax income/(expense) during the period recognised in profit or loss	**3,351.17**	—
Deferred tax on Ind AS 115 transition impact	**614.45**	—
Tax income/(expense) during the period recognised in OCI	**—**	—
Closing balance	**3,965.62**	—

(b) The balance comprise temporary differences attributable to:

(₹ In Lakhs)

	As at 31-3-2018	**(Charge(d)/ credited to reserves**	**(Charge(d)/ credited to statement of profit and loss**	**(Charge(d)/ 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**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

(c) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31st March, 2018 and 31st March, 2019

	₹ In Lakhs	2017-18 ₹ In Lakhs
Profit before tax	**1,341.83**	218.21
Statutory income tax rate (*)	**21.55%**	21.55%
Income-tax expense at statutory income tax rate	**289.17**	47.03
Effect of adjustments to reconcile the expected tax expense to reported income tax expense	**170.18**	250.88
Effect on non-deductible expenses	**(92.59)**	—
Adjustment of tax relating to earlier periods	**366.76**	203.85

(*) The Company is liable to pay tax as per Section 115 JB of the Income-tax Act, 1961 and therefore rate of Minimum Alternate Tax (MAT) is taken as statutory income tax rate.

35. Disclosures under Ind AS 115

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

Sr. No.	Particulars	₹ In Lakhs
(i)	Amounts included in contract liabilities at the beginning of the year	**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

Sr. No.	Particulars	₹ In Lakhs
	Revenue as per contracted price	**33,080.01**
	Add:	
(a)	Due from customer	**21,096.37**
	Less:	
(b)	Due to customer	**(16.60)**
	Revenue from contract with customers (Refer Note 21A)	**54,159.78**

(c) Performance obligation

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31st March, 2019 is of ₹ 83,102.77 lakhs, out of whch, majority is expected to be recognised as revenue within a period of one year.

36 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 33) while maximising the return to stakeholders through optimisation of debt and equity. The primary objective of the Company's capital management is to maximise the shareholder value to maintain equity, protect economic viability and to finance any growth opportunities that may be available in future so as to maximize shareholders' value.

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

Gearing Ratio

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

Particulars	Notes	₹ In Lakhs	As at 31-3-2018 ₹ In Lakhs
Debt			
Non-Current Borrowing	15A	**7,200.52**	6,794.23
Current Borrowing	15B	**7,045.04**	4,414.25
Less: Cash and cash equivalents	10	**(1.11)**	(1.21)
Less: Other bank balances	11	**(9.66)**	(9.15)
Net Debt		**14,234.79**	11,198.12
Equity Share Capital	13	**182.58**	182.58
Other Equity	14	**1,887.16**	(4,062.13)
Total Equity		**2,069.74**	(3,879.55)
Gearing ratio		**687.76%**	(288.64%)

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. 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, 2019 and 31st March, 2018.

(B) Fair Value measurements

Financial instruments by category

(₹ In Lakhs)

	Notes	31st March, 2019			31st March, 2018		
		FVTPL	FVOCI	Amortised Cost	FVTPL	FVOCI	Amortised Cost
Financial assets							
Trade receivables	9	—	—	4,214.23	—	—	6,417.00
Cash and cash equivalents	10	—	—	1.11	—	—	1.21
Other bank balances	11	—	—	9.66	—	—	9.15
Other Financial Assets							
- Security deposits	5B	—	—	18.04	—	—	13.97
- Interest receivable	5B	—	—	—	—	—	2.60
- Claims receivable from customer	5B			224.18			264.40
Total financial assets		**—**	**—**	**4,467.22**	**—**	**—**	6,708.33
Financial liabilities							
Non-Current Borrowing	15A	—	—	7,200.52	—	—	6,794.23
Current Borrowing	15B			7,045.04			4,414.25
Trade payables		—	—	16,135.76	—	—	9,039.15
Other financial liabilities	17	—	—	—	—	—	452.01
Total financial liabilities		**—**	**—**	**30,381.32**	**—**	**—**	20,699.64

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 cost 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

(C) Finance risk Management : Objectives and Policies

The Company's principal financial liabilities comprise long term and short term borrowings, trade payables and other financial liabilities. 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 risk's management assessment is carried out by the Board of Directors. The finance in-charge identifies, evaluates and hedges financial risks as per the requirements of the business. The Board provides written principles for overall risk management, as well as policies 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 and 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'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 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.

(ii) Liquidity risk management

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's 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's 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, 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	15A	—	—	4,271.42	2,929.10	7,200.52
Current borrowings	15B	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**

Contractual maturities of financial liabilities (31st March, 2018)	Notes	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	5 years and above	Total
Non-derivatives						
Borrowings	15A	4,414.25	2,272.73	638.39	3,883.11	11,208.48
Trade payables		8,654.98	384.17	—	—	9,039.15
Other financial liabilities	17	452.01	—	—	—	452.01
Total non-derivative liabilities		13,521.24	2,656.90	638.39	3,883.11	20,699.64

(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)

		31-3-2018
Variable rate borrowings	**7,045.04**	2,141.52
Fixed rate borrowings	**7,200.52**	9,066.96
Total borrowings	**14,245.57**	11,208.49

Interest rate sensitivity analysis

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

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

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

Interest Rate Sensitivity	Increase /Decrease in basis Point	Effect on profit before tax	Effect on equity*
For the year ended 31st March, 2019			
INR - Borrowings (excluding preference shares)	**+50**	**(32.39)**	**(32.39)**
	-50	**32.39**	**32.39**
For the year ended 31st March, 2018			
INR - Borrowings	+50	(5.73)	(5.73)
	-50	5.73	5.73

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

37. 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 23 and 25)

(₹ In Lakhs)

Nature of expenses	For the year ended 31-3-2019			
	Cost of jobs and services	Salaries and wages	Other expenses	Total
Salaries and wages	**—**	**1,846.02**	**—**	**1,846.02**
	(14.12)	(704.43)	—	(718.55)
Legal and professional expenses	**—**	**—**	**60.77**	**60.77**
	—	—	(36.93)	(36.93)
Outside service charges	**3.62**	**—**	**247.48**	**251.11**
	(53.16)	—	(643.85)	(697.01)
Travelling and conveyance	**—**	**—**	**89.94**	**89.94**
	(1.04)	—	(67.83)	(68.87)
Printing and stationary	**0.11**	**—**	**18.87**	**18.98**
	(0.31)	—	(13.70)	(14.01)
Rent Expenses	**—**	**—**	**152.35**	**152.35**
	(1.11)	—	(78.35)	(79.46)
Insurance Charges	**—**	**—**	**45.45**	**45.45**
	(0.02)	—	(111.90)	(111.92)
Miscellaneous expenses	**6.67**	**—**	**79.16**	**85.83**
	(0.46)	—	(49.77)	(50.23)

Figures in brackets are of previous year.

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

(₹ In Lakhs)

	Notes	31-3- 2019		31-3- 2018	
		Within 12 months	**After 12 months**	Within 12 months	After 12 months
Trade receivables	9	**4,214.23**	**—**	6,417.00	—
Cash and bank balances		**10.36**	**—**	309.12	—
Balances with bank in current account	10	1.11	**—**	1.21	—
Balance held as margin money with bank	11	9.66	**—**	9.15	—
Other financial assets					
Claims receivable from customer	5B	**224.18**	**—**	264.40	—
Sundry receivables and deposits	5B	**18.04**	**—**	13.97	—
Interest receivable	5B	**—**	**—**	2.60	—
Other current assets					
Advance to suppliers	8B	**51.26**	**—**	111.22	—
Advances to employees	8B	**11.19**	**—**	11.14	—
Amount due from customers under construction contracts	8B	**—**	**—**	8,337.63	—
Balance with statutory and government authorities	8B	**2,373.70**	**—**	1,134.16	—
Gratuity	8B	**2.28**	**—**	—	**—**
Prepaid expenses	8B	**51.23**	**—**	20.48	—
Other non current assets					
Income tax assets (net)	6	**—**	**186.63**	—	7.37
Deferred tax assets	7	**—**	**3,965.62**	—	—
Deposits for tax and other statutory dues	8A	**847.60**	**—**	619.26	—
Contract assets					
Balance with statutory and government authorities	12	**20,887.90**	**—**	—	—

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

(₹ In Lakhs)

	Notes	**31-3- 2019**		31-3- 2018	
		Within 12 months	**After 12 months**	Within 12 months	After 12 months
Borrowing					
Current borrowing	15B	**7,045.04**	—	4,414.25	—
Non - current borrowing	15A	—	**7,200.52**	2,272.73	4,521.50
Trade payables		**16,135.76**	—	8,654.98	384.17
Other financial liabilities					
Interest accrued (Payable to holding company)	17	—	—	—	452.01
Provisions	16A/16B	**82.99**	**11.18**	38.44	7.55
Other current liabilities					
Advance received from customers	18	—	—	45.87	—
Amount due to customers under construction contracts	18	—	—	64.10	—
Statutory dues (withholding taxes, GST etc.)	18	**363.48**	—	29.13	—
Current tax liabilities (net)	20	—	—	31.57	—
Contract Liabilities					
Amount due to customers under construction contracts	19	**16.60**			
Advance received from customers	19	**20.00**	—	—	—

39. Events occurring after Balance Sheet

In order to accelerate further growth, the Company has recently, signed an Asset Transfer Agreement with Tata International Limited (TIL) on 17th April, 2019, for acquiring their Solar business, subject to satisfaction/completion of Conditions Precedent (CPs) as on the Closing Date. The transaction is expected to get completed by June 2019 and as part of the arrangement, all relevant employees of Solar business of TIL would be transferred to the Company. The consideration payable to TIL would be based on the Net Asset Value of Solar business as on 30th April, 2019 to be determined based on mutually accepted terms and conditions between the Company and TIL.

40. Reclassification of previous year figures

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

41. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 26th April, 2019.

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, 26th April, 2019

For and on behalf of the Board of Directors

Chairman **P. N. Dhume**
Director **Anil George**
Manager **Abhijeet Mukherjee**
Chief Financial Officer **Sachin Tamhane**
Company Secretary **Vishal Totla**

Mumbai, 26th April, 2019

AUTO AIRCON (INDIA) LIMITED

Directors:
Anil George
V. P. Malhotra
Vinod Chandrashekar

DIRECTORS' REPORT

TO THE MEMBERS

The Directors submit their Twenty Fourth Annual Report and Accounts for the year ended 31st March, 2019.

1. Financial Results:

The Company has reported loss of ₹ 0.39 lakh for the year ended 31st March, 2019 as compared to profit of ₹ 23.87 lakhs in the previous year. During the year, the Company had issued and allotted 6,50,000 Equity Shares of ₹ 10 each aggregating ₹ 65 lakhs as Rights shares to Voltas Limited, which has enabled the Company have a positive Net Worth.

2. Dividend:

The Directors do not recommend any dividend.

3. Number of Meetings of the Board:

During 2018-19, six Board Meetings were held on 2nd May, 2018; 24th July, 2018; 25th October, 2018; 24th January, 2019; 5th March, 2019 and 29th March, 2019.

4. Corporate Social Responsibility:

In view of the loss situation, the provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 (the Act) are not applicable to the Company.

5. Statutory Auditors:

The Members had, at the Twenty-Second Annual General Meeting (AGM) of the Company held on 29th July, 2017, approved appointment of M/s. Abhay Bhagat & Co., Chartered Accountants as Statutory Auditors for a term of five years from the conclusion of 22nd AGM till the conclusion of 27th AGM of the Company to be held in the year 2022. The Auditors' Report for 2018-19 does not contain any qualification, reservation or adverse remark.

6. Audit Committee:

Pursuant to Notifications dated 5th July, 2017 and 13th July, 2017 issued by Ministry of Corporate Affairs (MCA), the Company being a wholly owned subsidiary of Voltas Limited is exempt from the requirement of appointment of Independent Directors and constitution of Audit Committee.

7. Extract of the Annual Return:

Pursuant to Section 92(3) of the Act, the extract of Annual Return in prescribed Form No. MGT-9 is enclosed as an Annexure to the Report.

8. 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 earnings and outgo are not relevant to the Company.

9. Directors:

In accordance with the provisions of the Act and the Company's Articles of Association, Mr. Anil George retires by rotation and being eligible, offers himself for re-appointment.

10. Particulars of contracts or arrangements with related parties:

The related party transactions during 2018-19 were in the ordinary course of business. There are no 'material' contracts or arrangements or transactions and hence, disclosure in Form No. AOC-2 is not required.

11. Secretarial Standards:

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

12. Directors' Responsibility Statement:

Pursuant to Section 134(5) of the Act, the Directors confirm that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) appropriate accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2019 and of the loss of the Company for that period;

(iii) proper and sufficient care has been taken 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) the annual accounts have been prepared on the assumption that the Company is not a going concern; and

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

On behalf of the Board of Directors

Anil George
V. P. Malhotra

Mumbai, 25th April, 2019 *Directors*

Annexure to Directors' Report
Form No. MGT-9
EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2019

[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	U29192PN1995PLC012885
ii	Registration Date	15th February, 1995
iii	Name of the Company	Auto Aircon (India) 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	5/4, Nagar Road, Pune 411 014
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: None

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. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):

(a) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1-4-2018)				No. of Shares held at the end of the year (As on 31-3-2019)				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
A. Promoters									
(1) Indian									
Bodies Corporate	Nil	1,13,00,000	1,13,00,000	100%	Nil	1,19,50,000	1,19,50,000	100%	Nil

Category of Shareholders	No. of Shares held at the beginning of the year (As on 1-4-2018)				No. of Shares held at the end of the year (As on 31-3-2019)				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
(2) Foreign	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Shareholding of Promoter A = A(1)+A(2)	Nil	1,13,00,000	1,13,00,000	100%	Nil	1,19,50,000	1,19,50,000	100%	Nil
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)	**Nil**	**1,13,00,000**	**1,13,00,000**	**100%**	**Nil**	**1,19,50,000**	**1,19,50,000**	**100%**	**Nil**

(b) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 1-4-2018)			Shareholding at the end of the year (As on 31-3-2019)			% 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	1,12,99,993	100%	Nil	1,19,49,993	100%	Nil	Nil
2.	Voltas Limited Jointly with Anil George	1	—	Nil	1	—	Nil	Nil
3.	Voltas Limited Jointly with V. P. Malhotra	1	—	Nil	1	—	Nil	Nil
4.	Voltas Limited Jointly with Vinod Chandrashekar	1	—	Nil	1	—	Nil	Nil
5.	Voltas Limited Jointly with Utsav Shah	1	—	Nil	1	—	Nil	Nil
6.	Voltas Limited Jointly with Rajesh Bhatia	1	—	Nil	1	—	Nil	Nil
7.	Voltas Limited Jointly with Sanjay Johri	1	—	Nil	--	—	—	Nil
8.	Voltas Limited Jointly with Pradeep Bakshi	—	—	--	1	—	Nil	Nil
9.	Voltas Limited Jointly with Jayant Balan	1	—	Nil	—	—	—	Nil
10.	Voltas Limited Jointly with Abhijit Gajendragadkar	—	—	—	1	—	Nil	Nil
	Total	**1,13,00,000**	**100%**	**Nil**	**1,19,50,000**	**100%**	**Nil**	**Nil**

(c) 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 1-4-2018)				
Equity Shares of ₹ 10 each	1,13,00,000	100%	1,13,00,000	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.)	6,50,000 Equity Shares of ₹ 10 each were allotted to Voltas Limited on Rights basis on 29th March, 2019.			
At the end of the year (As on 31-3-2019)				
Equity Shares of ₹ 10 each			**1,19,50,000**	**100%**

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

(e) Shareholding of Directors:

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 (1-4-2018)					
1.	Anil George	1*	—	1*	—
2.	V. P. Malhotra	1*	—	1*	—
3.	Vinod Chandrashekar	1*	—	1*	—
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment/ transfer / bonus/ sweat equity etc.)		**Nil**			
At the end of the year (31-3-2019)					
1.	Anil George			**1***	**—**
2.	V. P. Malhotra			**1***	**—**
3.	Vinod Chandrashekar			**1***	**—**

* Jointly with Voltas Limited

V. INDEBTEDNESS: The Company had no indebtedness with respect to secured and unsecured loans or deposits during the financial year 2018-19.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL: Nil

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: Nil

On behalf of the Board of Directors

Anil George
V. P. Malhotra

Mumbai, 25th April, 2019 *Directors*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

AUTO AIRCON (INDIA) LIMITED

Report on the Ind AS Financial Statements

Opinion

1. We have audited the accompanying Ind AS financial statements of **AUTO AIRCON (INDIA) LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "Ind AS Financial Statements").

   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 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) In the case of Balance Sheet, the state of affairs of the Ind AS Company as at 31st March, 2019;

   (ii) In the case of the Statement of Profit and Loss including other comprehensive income, of the loss for the year ended on that date;

   (iii) In case of the Statement of Cash Flows, of the cash flows for the year ended on that date;

Basis of Opinion

2. We conducted our audit in accordance with the Standards on Auditing (SAs) 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 Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Going Concern

3. We draw your attention to Note No. 1(b). The financial statements have been prepared on the assumption that the Company is not a going concern. All assets and liabilities are at net realisable value.

   Our opinion is not modified in respect of this matter.

Key Audit Matters

There are no Key Audit Matters to be reported.

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

4. The Company's Board of Directors is responsible for the information. The Other Information comprises the information present in the Annual Report, but does not include the Ind AS financial statements and 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, we consider whether the Other Information is materially inconsistent with the Ind AS 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

5. 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") prescribed under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015.

   This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and 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 of the Company is also responsible for overseeing the Company's financial reporting process.

Auditor's responsibility on the Audit of the Ind AS Financial Statements

6. Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements 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 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 aggregate, they could reasonably be expected to influence the economic decision 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 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 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

7. Report on Other Legal and Regulatory Requirements

(i) As required by the Companies (Auditor's Report) Order (CARO), 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 Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(ii) As required by sub-section (3) of Section 143 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 Other Comprehensive Income), Statement of Cash Flows 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 applicable Indian Accounting Standards prescribed under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015;

(e) The going concern matter described under the Going Concern paragraph above, in our opinion may have an adverse effect on the functioning of the Company;

(f) On the basis of the written representations received from the directors as on 31st March, 2019 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164(2) of the Act;

(g) With respect to the existence of the internal financial controls with reference to Ind AS Financial Statements, refer to our separate Report in Annexure B. Our report expresses an unmodified opinion on the existence of the Company's internal financial controls with reference to Ind AS Financial Statements;

(h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197 (16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, no remuneration was paid by the Company to its directors during the year, therefore the provisions of Section 197 read with Schedule V of the Act is not applicable.

(i) 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, in our opinion and to the best of our information and according to the explanations given to us:

(i) The Company does not have any pending litigations which would impact its financial position in its Ind AS Financial Statements;

(ii) The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise;

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

For **Abhay Bhagat & Co.**
Chartered Accountants
(Firm's Registration No. 120036W)

Abhay Bhagat
Proprietor
(Membership No. 042552)

Mumbai, 25th April, 2019

ANNEXURE TO THE AUDITORS' REPORT

Annexure A referred to in of our Report of even date to the members of Auto Aircon (India) Limited on the Ind AS Financial Statements of the Company for the year ended 31st March, 2019

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

(i) In respect of the Fixed Assets :

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

(b) As explained to us, the assets have been physically verified by the Management at regular intervals; as informed to us no material discrepancies were noticed on such physical verification.

(c) The Company does not own any immovable properties and therefore the question of title deeds does not arise.

(ii) The Company has no inventories and therefore, question of its physical verification does not arise.

(iii) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments, provided any guarantees and security to its directors and any other entities in which the directors are interested and therefore question of complying with the provisions of Sections 185 and 186 of Companies Act, 2013 does not arise.

(v) The Company has not accepted any deposits from the public covered under Sections 73 to 76 of the Companies Act, 2013.

(vi) As informed to us, the Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013.

(vii) (a) According to the information and explanations given to us and based on the records of the Company examined by us, the Company is regular in depositing undisputed statutory dues including Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Goods and Services Tax, Cess and any other statutory dues, as applicable, with appropriate authorities in India. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2019 for a period of more than six months from the date they became payable. Since there were no employees, the question of payment of dues on Provident Fund and Employees' State Insurance does not arise;

(b) According to the information and explanation given to us, there are no disputed dues on account of Income Tax, Sales tax, Service Tax, Duty of Customs or Duty of Excise, Value Added Tax and Goods and Services Tax.

(viii) According to the records of the Company examined by us and as per the information and explanations given to us, the Company has not availed of any loans from any financial institutions or bank or debenture holder.

(x) During the course of our examination of the books and records of the Company, carried in accordance with the auditing standards generally accepted in India, we have neither come across any instance of fraud on or by the Company, by its officers or employees nor the same has been noticed or reported during the course of our audit. We have also not been informed of any such instance by the Management.

(xiii) According to the records of the Company examined by us and as per the information and explanations given to us, all the transactions with the related party are in compliance with Sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Ind AS Financial Statements as required by the applicable accounting standards.

(xv) According to the records of the Company examined by us and as per the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we have not reported on item nos. (ix), (xi), (xii), (xiv) and (xvi) of (CARO), 2016 as the same are not applicable to the Company.

For **Abhay Bhagat and Co.**
Chartered Accountants
(Firm's Registration Number: 120036W)

Abhay Bhagat
Proprietor
(Membership Number: 042552)

Mumbai, 25th April, 2019

Annexure B referred to in 'Report on Other Legal and Regulatory Requirements' of our report of even date on the Ind AS Financial Statements of Auto Aircon (India) Limited.

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

In conjunction with our audit of the Ind AS Financial Statements of the Company as of and for the year ended 31st March, 2019, we have audited the internal financial controls over financial reporting of Auto Aircon (India) Limited as of that date.

Opinion

In our opinion, the Company has, in all material respects, existence of internal financial controls with reference to Ind AS Financial Statements and such internal financial controls with reference to Ind AS Financial Statements were operating effectively as at 31st March, 2019, 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.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company are 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 (ICAI). 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the existence of Company's internal financial controls with reference to Ind AS 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, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about existence of internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the existence of the internal financial controls with reference to Ind AS Financial Statements and their operating effectiveness. Our audit of existence 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 Ind AS 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 existence of Company's internal financial controls with reference to Ind AS 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 Ind AS 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 Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Ind AS 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.

For **Abhay Bhagat and Co.**
Chartered Accountants
(Firm's Registration Number: 120036W)

Abhay Bhagat
Proprietor
(Membership Number: 042552)

Mumbai, 25th April, 2019

BALANCE SHEET AS AT 31ST MARCH, 2019

	Notes		As at 31-3-2018
		₹ in '000s	₹ in '000s
I. ASSETS			
(1) NON-CURRENT ASSETS			
Property, Plant and Equipment	2	**3**	3
		3	3
(2) CURRENT ASSETS			
Financial Assets			
(a) Cash and Cash Equivalents	3	**425**	27
(b) Other Current Assets	4	**—**	16
		425	43
TOTAL ASSETS		**428**	46
II. EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity Share capital	5	**1,19,500**	1,13,000
(b) Other Equity	6	**(1,19,075)**	(1,19,036)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY / TOTAL EQUITY		**425**	(6,036)
(2) Current Liabilities			
Financial Liabilities			
(a) Trade payables	7		
(i) Total Outstanding Dues of Micro and Small Enterprise		**—**	—
(ii) Total Outstanding Dues of Creditors other than Micro and Small Enterprise		**3**	6,082
(b) Other current liabilities		—	—
Total current liabilities		**3**	6,082
TOTAL EQUITY AND LIABILITIES		**428**	46
Summary of Significant Accounting Policies	1		

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

	Notes		2017-18
		₹ in '000s	₹ in '000s
I. INCOME			
Revenue			
Revenue from Operations		**—**	—
Other Income		**—**	2,393
TOTAL INCOME		**—**	2,393
II. EXPENSES			
(a) Statutory Audit Fees		**3**	4
(b) Legal & Professional Charges		**4**	1
(c) Bad and Doubtful Advances		**16**	—
(d) Other General Expenses		**16**	1
TOTAL EXPENSES		**39**	6
III. (LOSS) / PROFIT BEFORE TAX		**(39)**	2,387
IV. INCOME TAX EXPENSES			
Current Tax		—	—
TOTAL TAX EXPENSES		—	—
V. (LOSS) / PROFIT FOR THE PERIOD		**(39)**	2,387
Other Comprehensive income for the period, net of tax		—	—
Total Comprehensive Income for the period		**(39)**	2,387
Earnings per share -			
(a) Basic - (₹)		**(0.00)**	0.21
(b) Diluted - (₹)		**(0.00)**	0.21
Face Value per equity share - (₹)		**10**	10
Summary of Significant Accounting Policies	1		

The accompanying notes form an integral part of the Financial Statements.

In terms of our report attached.
For **Abhay Bhagat & Co.**
Chartered Accountants

Abhay Bhagat
Proprietor
Mumbai, 25th April, 2019

For and on behalf of the Board of Directors

Directors **Anil George**
V. P. Malhotra
Vinod Chandrashekar

Mumbai, 25th April, 2019

STATEMENT OF CHANGES IN EQUITY AS AT 31ST MARCH, 2019

A. EQUITY SHARE CAPITAL

	Notes	₹ in '000s
As at 31st March, 2018	5	1,13,000
Changes in Equity share capital		6,500
As at 31st March, 2019	5	**1,19,500**

B. OTHER EQUITY

Balance as at 31st March, 2018		**(1,19,036)**
Profit for the year		(39)
Balance as at 31st March, 2019		**(1,19,075)**

Summary of Significant Accounting Policies 1

The accompanying notes form an integral part of the Financial Statements.

In terms of our report attached.

For **Abhay Bhagat & Co.**
Chartered Accountants

Abhay Bhagat
Proprietor
Mumbai, 25th April, 2019

For and on behalf of the Board of Directors

Directors **Anil George**
V. P. Malhotra
Vinod Chandrashekar

Mumbai, 25th April, 2019

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2019

		Notes	**₹ in '000s**	2017-18 ₹ in '000s
A.	**Cash flow from Operating Activities**			
	Profit/(Loss) Before Tax		**(39)**	2,387
	Adjustment for Depreciation		**—**	—
	Operating Profit before working capital changes		**(39)**	2,387
	Changes in Working Capital			
	Adjustments for (increase)/decrease in operating assets			
	Other Current Assets		**16**	**—**
	Adjustments for (decrease) in operating liabilities			
	Trade Payables		**(6,079)**	(2,690)
	Other Current Liabilites		—	(3,122)
	Cash generated from operations		**(6,102)**	(3,425)
	Income Tax (Paid)/ Refund		**—**	—
	Net Cash Flow from Operating Activities (A)		**(6,102)**	(3,425)
	Net Cash Flow from Investing Activites (B)		**—**	—
	Net Cash used in Financing Activites (C)		**6,500**	—
B.	**Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)**		**398**	(3,425)
	Cash and Cash equivalents at the beginning of the year	3	**27**	3,452
	Cash and Cash equivalents at the end of the year	3	**425**	27

Summary of Significant Accounting Policies 1

The accompanying notes form an integral part of the Financial Statements.

In terms of our report attached.

For **Abhay Bhagat & Co.**
Chartered Accountants

Abhay Bhagat
Proprietor
Mumbai, 25th April, 2019

For and on behalf of the Board of Directors

Directors **Anil George**
V. P. Malhotra
Vinod Chandrashekar

Mumbai, 25th April, 2019

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019

Background and Operations

The principle activities of the Company are designing, manufacturing and marketing of Heating Ventilation and Air Conditioning Systems.

1. Significant accounting policies

(a) Statement of Compliance

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.

(b) Basis of preparation and presentation

The financial statements have been prepared on accrual basis under the historical cost convention on the assumption that the Company is not a going concern. All assets and liabilities are at net realizable value.

(c) 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. 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 revision and future periods if the revision affects both current and future periods.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any.

Historical Cost includes the acquisition cost or the cost of construction, including duties and taxes (other than those refundable), expenses directly related to the acquisition of assets and making them operational for their intended use. Initial estimate shall also include costs of dismantling and removing the item, if any and restoring the site on which it is located.

(e) Depreciation

Since the fixed assets are fully depreciated and reflected at its scrap/residual value, no further provision is made for.

(f) Excise Duty

Excise Duty is provided for on all finished / trading goods in stock at the year end.

(g) Taxes on income

Provision for current tax is made in accordance with the Income Tax Act, 1961. In terms of Ind AS 12, the Company does not have any deferred tax liability.

2. Property, Plant and Equipment (Owned, unless otherwise stated) **₹ in '000s**

	Leasehold Improvements	Plant and Machinery	Office and EDP Equipments	Furniture and fixtures	Total
Gross carrying amount					
At 1st April, 2017	927	1,617	130	324	2,998
Additions	—	—	—	—	—
Adjustment	—	—	—	—	—
Transition	—	—	—	—	—
Disposals	—	—	—	—	—
At 31st March, 2018	927	1,617	130	324	2,998
Depreciation					
At 1st April, 2017	926	1,616	130	323	2,995
Charge for the year	—	—	—	—	—
Adjustments	—	—	—	—	—
Disposals	—	—	—	—	—
At 31st March, 2018	926	1,616	130	323	2,995
Net carrying amount at 31st March, 2018	1	1	—	1	3
Gross carrying amount					
At 1st April, 2018	927	1,617	130	324	2,998
Additions	—	—	—	—	—
Adjustment	—	—	—	—	—
Transition	—	—	—	—	—
Disposals	—	—	—	—	—
At 31st March, 2019	**927**	**1,617**	**130**	**324**	**2,998**
Depreciation					
At 1st April, 2018	926	1,616	130	323	2,995
Charge for the year	—	—	—	—	—
Adjustments	—	—	—	—	—
Disposals	—	—	—	—	—
At 31st March, 2019	**926**	**1,616**	**130**	**323**	**2,995**
Net carrying amount at 31st March, 2019	**1**	**1**	**—**	**1**	**3**

3. Cash and Cash Equivalents

	₹ in '000s	As at 31-3-2018 ₹ in '000s
Cash in hand	—	1
Balances with bank in current account	**425**	26
	425	27

4. Other Current Assets

	₹ in '000s	As at 31-3-2018 ₹ in '000s
Advance with public bodies	—	16
Other recoverable from customer and others	—	—
	—	16

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019 (contd.)

5. Equity Share Capital

		As at 31-3-2018
	₹ in '000s	₹ in '000s
Authorised Share Capital		
1,20,00,000 (Previous year:1,20,00,000) Equity Shares of ₹ 10 each	**1,20,000**	1,20,000
Issued, Subscribed and Paid up		
1,19,50,000 (Previous year: 1,13,00,000) Equity Shares of ₹ 10 each	**1,19,500**	1,13,000

Footnotes :

(i) Equity Shares: The Company has one class of equity shares having a face value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. 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.

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

			As at 31-3-2018	
	No. of Shares	**₹ in '000s**	No. of Shares	₹ in '000s
As at the beginning of the year	**1,13,00,000**	**1,13,000**	1,13,00,000	1,13,000
Add: Shares issued during the year	**6,50,000**	**6,500**	—	—
Less:	**—**	—	—	—
As at the end of the year	**1,19,50,000**	**1,19,500**	1,13,00,000	1,13,000

(iii) Shareholders holding more than 5% shares in the Company :

			As at 31-3-2018	
	No. of Shares	**% of Holding**	No. of Shares	% of Holding
Equity Shares of ₹ 10 each fully paid				
Voltas Limited	**1,19,50,000**	**100%**	1,13,00,000	100%

6. Other Equity

		As at 31-3-2018
	₹ in '000s	₹ in '000s
Retained Earnings		
Opening balance	**(1,19,036)**	(1,21,423)
Net Profit/(Loss) for the period	**(39)**	2,387
Closing balance	**(1,19,075)**	**(1,19,036)**
Total other Equity	**(1,19,075)**	**(1,19,036)**

7. Trade Payables

	₹ in '000s	As at 31-3-2018 ₹ in '000s
Current		
Total Outstanding Dues of Micro and Small Enterprise	—	—
Total Outstanding Dues of Creditors Other than Micro and Small Enterprise	—	—
Trade Creditors	3	6,082
Total	**3**	6,082

8. Additional Information to the Financial Statements

The Company has no amounts due to Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006.

9. Disclosures under Accounting Standards

Annualised earnings per Equity Share have been calculated based on Net Profit/(loss) after taxation of (₹ 39,011) [Previous year: ₹ 23,87,094]

		2017-18
Basic and Diluted earnings per share (₹)	**0.00**	0.21

10. Related party transactions

The following balances were outstanding at the end of the reporting period:

	Amounts owed to related parties	
	₹ in '000s	As at 31-3-2018 ₹ in '000s
Voltas Limited (Holding Company)	—	6,079

Amount repaid during the reporting period:		2017-18
	₹ in '000s	₹ in '000s
Voltas Limited (Holding Company)	**6,079**	2,690

The amount outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

11. Segment Reporting

As the Company has single segment, there is no requirement of disclosures as per Ind AS 108

Signatures to Notes 1 to 11

For and on behalf of the Board of Directors

Directors **Anil George**
V. P. Malhotra
Vinod Chandrashekar

Mumbai, 25th April, 2019

WEATHERMAKER LIMITED

Directors :
P. N. Dhume
E. C. Prasad *(w.e.f 13th August, 2018)*
Jayant Balan
Stuart James Foster

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Twenty Sixth Annual Report and Accounts for the year ended 31st December, 2018.

2. Increased orders for supply of modules resulted in the Company reporting higher turnover of United Arab Emirates Dirham (AED) 19.616 million during the year ended 31st December, 2018, as compared to AED 17.747 million in the previous year. Net profit was also higher at AED 2.228 million as compared to AED 1.625 million in the previous year.

3. The Directors have recommended dividend of AED 0.750 million, partly from Retained Earnings for the year ended 31st December, 2018 (Previous Year : AED 3.000 million).

4. Mr. E. C. Prasad was appointed as Director of the Company with effect from 13th August, 2018, in place of Mr. B. G. Prabhuajgaonkar. The Directors placed on record their appreciation of the valuable contribution made by Mr. B. G. Prabhuajgaonkar during his tenure on the Board.

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

Directors

Jayant Balan
E. C. Prasad

Dubai, 30th April, 2019

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, 2018, 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, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 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

We further confirm that the financial statements comply with the Isle of Man Companies Act, 1931 to 2005.

PKF

United Arab Emirates

Dubai, 11th April, 2019

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2018

	Notes	AED	As at 31-12-2017 AED	₹ in '000s	As at 31-12-2017 ₹ in '000s
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	**1,74,595**	2,28,443	**3,323**	3,989
Intangible assets	7	**99,180**	1,29,061	**1,887**	2,253
		2,73,775	3,57,504	**5,210**	6,242
CURRENT ASSETS					
Inventories	8	**18,85,087**	26,79,954	**35,873**	46,792
Trade and other receivables	9	**1,40,27,408**	1,15,88,704	**2,66,942**	2,02,339
Other current assets	10	**19,86,733**	2,01,675	**37,808**	3,521
Other financial assets	12	**7,20,247**	12,25,012	**13,706**	21,389
Cash and cash equivalents	13	**10,14,746**	34,88,167	**19,311**	60,903
		1,96,34,221	1,91,83,512	**3,73,640**	3,34,944
TOTAL ASSETS		**1,99,07,996**	1,95,41,016	**3,78,850**	3,41,186
EQUITY AND LIABILITIES					
SHAREHOLDER'S EQUITY FUNDS					
Share capital	14	**15,00,000**	15,00,000	**28,545**	26,190
Retained earnings		**1,31,24,379**	1,38,96,617	**2,49,757**	2,42,635
		1,46,24,379	1,53,96,617	**2,78,302**	2,68,825
NON-CURRENT LIABILITIES					
Provision for staff end-of-service benefits	15	**8,63,064**	7,29,116	**16,425**	12,731
CURRENT LIABILITIES					
Trade and other payables	16	**38,96,451**	26,77,555	**74,149**	46,750
Other current liabilities	17	**5,13,972**	5,85,801	**9,781**	10,228
Contract liabilities	18	**10,130**	1,51,927	**193**	2,652
		44,20,553	34,15,283	**84,123**	59,630
TOTAL LIABILITIES		**52,83,617**	41,44,399	**1,00,548**	72,361
TOTAL EQUITY AND LIABILITIES		**1,99,07,996**	1,95,41,016	**3,78,850**	3,41,186

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 = ₹ 19.03 being the exchange rate prevailing as on 31st December, 2018. Previous year figures have been converted @ 1 AED = ₹ 17.46 being the exchange rate prevailing as on 31st December, 2017.

Directors

Jayant Balan

E. C. Prasad

Dubai, 30th April, 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Notes	**AED**	2017 AED	**₹ in '000s**	2017 ₹ in '000s
Revenue from contract with customers	21	**1,96,15,646**	1,77,47,432	**3,57,986**	3,19,276
Cost of sales	22	**(1,53,56,265)**	(1,39,61,033)	**(2,80,252)**	(2,51,159)
Gross Profit		**42,59,381**	37,86,399	**77,734**	68,117
Other operating income	23	**9,14,705**	4,83,278	**16,694**	8,694
Distribution costs	24	**(8,35,819)**	(6,35,688)	**(15,254)**	(11,436)
Administrative expenses	25	**(21,11,283)**	(20,21,131)	**(38,531)**	(36,360)
Interest income	26	**778**	12,431	**14**	224
Profit for the year		**22,27,762**	16,25,289	**40,657**	29,239
Other comprehensive income for the year		**—**	—	**—**	—
Total Comprehensive income for the year		**22,27,762**	16,25,289	**40,657**	29,239

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 = ₹ 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). Previous year figures have been converted @ 1 AED = ₹ 17.99 being the average of the exchange rates prevailing as on 31st December, 2016 (1 AED = ₹ 18.52) and as on 31st December, 2017 (1 AED = ₹ 17.46).

Directors

Jayant Balan

Dubai, 30th April, 2019 **E. C. Prasad**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Share Capital		**Retained Earnings**		**Total**	
	AED	**₹ in '000s**	**AED**	**₹ in '000s**	**AED**	**₹ in '000s**
Balance at 1st January, 2017	15,00,000	27,780	1,42,71,328	2,64,305	1,57,71,328	2,92,085
Total comprehensive income for the year	—	—	16,25,289	29,239	16,25,289	29,239
Final dividend declared and paid during the year	—	—	(20,00,000)	(37,040)	(20,00,000)	(37,040)
Balance at 31st December, 2017	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**

Dividend declared and paid during the year amounting to AED 30,00,000 (₹ 52.380 million) [Previous year: AED 20,00,000 (₹ 37.040 million)] represents dividend per share of AED 7.35 (₹ 128.24) [Previous year : AED 4.90 (₹ 90.69)].

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Note	AED	2017 AED	₹ in '000s	2017 ₹ in '000s
Cash flows from operating activities					
Profit for the year		**22,27,762**	16,25,289	**40,657**	29,239
Adjustments for:					
Depreciation of property, plant and equipment		**60,589**	1,55,186	**1,106**	2,792
Amortisation of intangible assets		**29,881**	15,263	**545**	275
Interest income		**(778)**	(12,431)	**(14)**	(224)
Profit on sale of property, plant and equipment		—	(1,29,933)	—	(2,337)
Allowance for expected credit losses		**22,611**	32,000	**413**	576
Provision against obsolete inventories		**74,129**	—	**1,353**	—
Inventory provision written back		—	(15,168)	—	(273)
Credit balance written back		—	(2,47,582)	—	(4,454)
Provision for staff end-of-service gratuity		**1,61,845**	1,17,344	**2,954**	2,111
		25,76,039	15,39,968	**47,013**	27,705
Changes in:					
- Inventories		**7,20,738**	(3,71,757)	**9,508**	(4,060)
- Trade and other receivables		**(24,11,048)**	(7,30,337)	**(64,077)**	(995)
- Other current assets		**(17,85,058)**	—	**(30,953)**	—
- Trade and other payables		**12,18,896**	2,893	**27,399**	(3,829)
- Other current liabilities		**(71,829)**	—	**(447)**	—
- Contract liabilities		**(1,41,797)**	—	**(2,460)**	—
Staff end-of-service gratuity paid		**(78,164)**	(86,207)	**(1,426)**	(1,551)
Cash generated from operations		**27,777**	3,54,560	**529**	6,191
Interest paid		—	—	—	—
Net cash from operating activities		**27,777**	3,54,560	**529**	6,191
Cash flows from investing activities					
Payments for property, plant and equipment		**(6,741)**	(22,380)	**(123)**	(403)
Proceeds on disposal of property, plant and equipment		—	2,20,845	—	3,973
Payments for intangible assets		—	(1,44,324)	—	(2,596)
Decrease in fixed deposits		**5,04,765**	(8,05,817)	**7,682**	(13,625)
Interest received		**778**	12,431	**14**	224
Net cash used in investing activities		**4,98,802**	(7,39,245)	**9,492**	(12,907)
Cash flows from financing activities					
Dividend paid		**(30,00,000)**	(20,00,000)	**(52,380)**	(37,040)
Net cash used in financing activities		**(30,00,000)**	(20,00,000)	**(57,090)**	(34,920)
Net decrease in cash and cash equivalents		**(24,73,421)**	(23,84,685)	**(41,593)**	(47,862)
Cash and cash equivalents at beginning of year		**34,88,167**	58,72,852	**60,903**	1,08,765
Cash and cash equivalents at end of year	13	**10,14,746**	34,88,167	**19,311**	60,903

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

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, U.A.E. 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, 2018 and the requirements of Isle of Man Companies Acts, 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 9: Financial instruments
- IFRS 15: Revenue from Contracts with Customers

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

IFRS 9: Financial Instruments

Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1st January, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements for the year ended 31st December, 2017. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Changes in accounting policies resulting from the adoption of IFRS 9 have not resulted in any material impact of opening balances of retained earnings or equity as on 1st January, 2018.

(i) Classification and measurement

On the date of initial application of IFRS 9, i.e., 1st January, 2018, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

Management has concluded that there is no material reclassification of financial assets other than disclosed below:

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Trade and other receivables (Refer Note 1 below)	Loans and receivables	Amortised cost
Other financial assets	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

Note 1

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

The adoption of IFRS 9 has not resulted in any change in classification or measurement of financial liabilities.

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to IFRS 9's new Expected Credit Loss (ECL) model:

- Trade and other receivables
- Other financial assets
- Cash and cash equivalents

For trade receivables, the Company has applied simplified approach permitted by IFRS 9. Further, the simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected losses, trade receivables have been grouped based on credit risk characteristics and past dues. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the trade receivable. The impact of adoption of new ECL model on the Company's opening retained earnings and equity was immaterial.

For other financial assets, cash and cash equivalents and other receivables, the Company has applied 12 month ECL model and the identified impairment loss was immaterial.

IFRS 9 accounting policies

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

IFRS 15: Revenue from contracts with customers

Impact of adoption

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services to customers.

The standard requires the Company to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining contract and the costs directly related to fulfilling a contract.

The Company has adopted IFRS 15 using the cumulative effect method in (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e., 1st January, 2018). Accordingly, the information presented for 2017 has not been restated – i.e., it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Changes in accounting policies resulting from the adoption of IFRS 15 has not resulted in any material impact on the opening balance of retained earnings / equity as of 1st January, 2018.

IFRS 15 accounting policies

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

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 16: Leases (1st January, 2019)

  IFRS 16 published in January 2016 replaces 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. Under this revised guidance, leases will be brought onto the lessee's statement of financial position, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test.

  The revised guidance has an increased focus on who controls the assets and may change which contracts are leases.

  The above standard is currently being assessed by the management to determine any material impact on the financial statements.

(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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

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 recognized 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 realizable 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 from contract with customers

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

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

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

1. Identify the contracts with customers: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the 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 at a point of time in order to determine the appropriate method of recognizing 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

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.

(i) 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.

(j) 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.

(k) Value added tax

As per Federal Decree-Law No. (08) of 2017, effective from 1st January, 2018, Value Added Tax (VAT), will be 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.

(l) 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 IFRS 9, 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, 2018 (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 Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flow that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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 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 30 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.

(m) 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 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 assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

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

4. SIGNIFICANT JUDGEMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

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

Classification of financial assets

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

Impairment

At each reporting date, management conducts an assessment of property, plant 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 is engaged in sale of goods that are either sold separately or bundled together with installation services to a customer.

Determine timing of satisfaction of performance obligation

The Company concluded that the revenue from sales of goods and installation services is to be recognised at a point in time when the control of goods has transferred to the customers.

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 22,15,340 (₹ 42.158 million) [(Previous year : AED 29,36,078) (₹ 51.264 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 (i) and Note 29.

Staff end-of-service benefits

The Company computes the provision for the liability to staff end-of-service benefits stated at AED 8,63,064 (₹ 16.424 million) [(Previous year : AED 7,29,116) (₹ 12.730 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 effects.

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, 2017	9,16,833	16,980	39,54,613	73,239	4,19,428	7,768	3,50,000	6,482	56,40,874	1,04,469
Additions	—	—	—	—	22,380	403	—	—	22,380	403
Disposals	—	—	(67,126)	(1,208)	(98,922)	(1,780)	(30,000)	(540)	(1,96,048)	(3,528)
Assets written off	—	—	(4,65,767)	(8,379)	—	—	—	—	(4,65,767)	(8,379)
Transfer to a related party	—	—	(30,507)	(549)	—	—	—	—	(30,507)	(549)
At 31st December, 2017	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
Transfer	—	—	—	—	—	—	—	—	—	—
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**
Accumulated depreciation										
At 1st January, 2017	9,09,483	16,844	35,96,694	66,611	3,81,703	7,069	3,00,833	5,571	51,88,713	96,095
Depreciation	1,890	34	1,11,255	2,001	19,166	345	22,875	412	1,55,186	2,792
Adjustment on disposals	—	—	(15,108)	(272)	(98,511)	(1,772)	(17,363)	(312)	(1,30,982)	(2,356)
Adjustment on assets written off	—	—	(4,65,767)	(8,379)	—	—	—	—	(4,65,767)	(8,379)
Transfers	—	—	—	—	—	—	—	—	—	—
Adjustment on transfer to a related party	—	—	(4,661)	(84)	—	—	—	—	(4,661)	(84)
At 31st December, 2017	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
Transfer	—	—	—	—	—	—	—	—	—	—
At 31st December, 2018	**9,12,739**	**17,369**	**33,49,889**	**61,845**	**3,22,451**	**6,136**	**3,17,999**	**6,052**	**48,03,078**	**91,402**
Carrying amount										
At 1st January, 2017	7,350	136	3,57,919	6,628	37,725	699	49,167	911	4,52,161	8,374
At 31st December, 2017	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**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

7. INTANGIBLE ASSETS

	Computer software	
	AED	**₹ in '000s**
Cost		
As at 1st January, 2017	25,200	467
Additions	1,44,324	2,596
As at 31st December, 2017	1,69,524	2,960
Additions	—	—
As at 31st December, 2018	**1,69,524**	**3,226**
Accumulated amortisation		
As at 1st January, 2017	25,200	467
Amortisation	15,263	275
As at 31st December, 2017	40,463	707
Amortisation	29,881	545
As at 31st December, 2018	**70,344**	**1,339**
Carrying amount		
As at 1st January, 2017	—	—
As at 31st December, 2017	1,29,061	2,253
As at 31st December, 2018	**99,180**	**1,887**

		As at 31-12-2017		As at 31-12-2017
	AED	AED	**₹ in '000s**	₹ in '000s
8. INVENTORIES				
Raw materials	**22,13,546**	23,99,566	**42,124**	41,896
Consumables	—	4,01,887	—	7,017
Work in progress	**642**	26,254	**12**	458
Finished goods	**1,152**	1,08,371	**22**	1,892
	22,15,340	29,36,078	**42,158**	51,263
Less: Provision for slow moving inventories	**(3,30,253)**	(2,56,124)	**(6,285)**	(4,471)
	18,85,087	26,79,954	**35,873**	46,792
A reconciliation of the movements in the provision for slow moving inventories is as follows:				
Balance as at 1st January	**2,56,124**	2,71,292	**4,472**	5,024
Provisions made during the year	**74,129**	—	**1,353**	—
Provision no longer required	—	(15,168)	—	(273)
Balance as at 31st December	**3,30,253**	2,56,124	**6,285**	4,471

		As at 31-12-2017		As at 31-12-2017
	AED	AED	**₹ in '000s**	₹ in '000s
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	**1,40,42,568**	1,16,44,805	**2,67,230**	2,03,318
Less: Allowance for expected credit losses	**(2,01,845)**	(1,79,234)	**(3,841)**	(3,129)
	1,38,40,723	1,14,65,571	**2,63,389**	2,00,189
Deposits	**1,23,971**	1,04,655	**2,359**	1,828
Other receivables	**62,714**	50,478	**1,194**	881
Less : Provision for impairment of other receivables	**—**	(32,000)	**—**	(559)
	1,40,27,408	1,15,88,704	**2,66,942**	2,02,339

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

At 1st January (under IAS 39)	**2,11,234**	6,51,149	**3,688**	12,059
Adjustment for initial application of IFRS 9	**—**	—	**—**	—
At 1st January (under IFRS 9)	**2,11,234**	6,51,149	**3,688**	12,059
Provisions made during the year	**22,611**	32,000	**413**	576
Amount written off	**—**	(4,71,915)	**—**	(8,490)
Provisions no longer required	**(32,000)**	—	**(584)**	—
At 31st December	**2,01,845**	2,11,234	**3,841**	3,688

The Company holds post dated cheques amounting to AED 14,24,388 (₹ 27.106 million) [Previous year: AED 2,94,050 (₹ 5.134 million)] as security against past due but not impaired receivables.

		As at 31-12-2017		As at 31-12-2017
	AED	AED	**₹ in '000s**	₹ in '000s
10. OTHER CURRENT ASSETS	**6,38,634**	1,94,310	**12,154**	3,392
Prepayments	**10,85,815**	7,365	**20,663**	129
Advance for goods and services	**2,62,284**	—	**4,991**	—
VAT receivable (net)	**19,86,733**	2,01,675	**37,808**	3,521

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 the 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 31-12-2017		As at 31-12-2017
	AED	AED	**₹ in '000s**	₹ in '000s
Trade and other receivables	**95,25,135**	76,77,672	**1,81,263**	1,34,052
Trade and other payables	**—**	13,180	**—**	230

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

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

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
Revenue	**1,02,44,613**	65,28,901	**1,86,964**	1,17,455
Purchase of consumables	**—**	29,494	**—**	531
Expenses charged to related parties	**12,73,207**	5,71,869	**23,236**	10,288
Expenses recharged by related parties	**22,57,189**	9,73,607	**41,194**	17,515
Transfer of property, plant and equipment to a related party	—	70,845	—	1,275
Recharge of staff end-of-service benefits to a related party	**50,267**	958	**917**	17
Dividend declared and paid	**30,00,000**	20,00,000	**52,380**	37,040

	AED	As at 31-12-2017 AED	**₹ in '000s**	As at 31-12-2017 ₹ in '000s
12. OTHER FINANCIAL ASSETS				
Other financial assets at amortised cost:				
Fixed deposits (a)	**3,95,247**	3,95,129	**7,521**	6,899
Margin deposits (b) & (c)	**3,25,000**	8,29,883	**6,185**	14,490
Total financial assets at amortised cost	**7,20,247**	12,25,012	**13,706**	21,389

(a) Out of the total deposit, AED 3,75,000 (₹ 7.136 million) [Previous year : AED 3,75,000 (₹ 6.548 million)] is held by bank as security for guarantees issued (Note 31).

(b) Out of the total deposit, AED 25,000 (₹ 0.476 million) [Previous year : AED 25,000 (₹ 0.437 million)] is held by bank as security for guarantees issued (Note 31).

(c) Out of the total deposit, AED 3,00,000 (₹ 5.709 million) [Previous year AED 8,04,883 (₹ 14.053 million)] is held by bank as security for unutilised letters of credit (Note 31).

	AED	As at 31-12-2017 AED	**₹ in '000s**	As at 31-12-2017 ₹ in '000s
13. CASH AND CASH EQUIVALENTS				
Cash on hand	**2,854**	1,014	**54**	18
Bank Balances :				
- Current accounts	**10,11,892**	34,87,153	**19,257**	60,885
	10,14,746	34,88,167	**19,311**	60,903

	AED	As at 31-12-2017 AED	**₹ in '000s**	As at 31-12-2017 ₹ in '000s
14. SHARE CAPITAL				
Issued and paid up				
408,441 shares of USD 1 each converted at USD 1 = AED 3.6725 (Previous year: USD 1 = AED 3.6725)	**15,00,000**	15,00,000	**28,545**	26,190

Note : The entire share capital as at 31st December, 2018 is held by Voltas Limited, incorporated in India.

	AED	As at 31-12-2017 AED	₹ in '000s	As at 31-12-2017 ₹ in '000s
15. PROVISION FOR STAFF END-OF-SERVICE BENEFITS				
At 1st January	**7,29,116**	6,97,021	**12,731**	12,910
Provision for the year	**1,61,845**	1,17,344	**2,954**	2,111
Transfer from a related party	**50,267**	958	**917**	17
Paid during the year	**(78,164)**	(86,207)	**(1,426)**	(1,551)
At at 31st December	**8,63,064**	7,29,116	**16,425**	12,731

	AED	As at 31-12-2017 AED	₹ in '000s	As at 31-12-2017 ₹ in '000s
16. TRADE AND OTHER PAYABLES				
Trade payables	**26,13,317**	25,43,497	**49,731**	44,409
Accruals	**12,71,146**	84,941	**24,190**	1,483
Other payables	**11,988**	49,117	**228**	858
	38,96,451	26,77,555	**74,149**	46,750

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

	AED	As at 31-12-2017 AED	₹ in '000s	As at 31-12-2017 ₹ in '000s
17. OTHER CURRENT LIABILITIES				
Employee related accruals	**5,13,972**	5,85,801	**9,781**	10,228

	AED	As at 31-12-2017 AED	₹ in '000s	As at 31-12-2017 ₹ in '000s
18. CONTRACT LIABILITIES				
Contract liabilities relating to advance received to fulfil a contract	**10,130**	1,51,927	**193**	2,652
Disclosed as:				
Current contract liabilities	**10,130**	1,51,927	**193**	2,652

19. DIVIDEND

Dividend declared and paid during the year amount to AED 30,00,000 (₹ 52.380 million) [Previous year : AED 20,00,000 (₹ 37.040 million)] represents a dividend per share of AED 7.36 (₹ 128.24) [Previous year : AED 4.90 (₹ 90.69)].

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

20. 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 are retained in the business and according to the business requirements and maintain capital at desired levels.

21. 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 and customer 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.

		2017		2017
	AED	AED	**₹ in '000s**	₹ in '000s
Primary Geographical segments				
- UAE	**1,92,61,508**	1,64,36,486	**3,51,523**	2,95,692
- Other Middle East countries	**3,54,138**	13,10,946	**6,463**	23,584
	1,96,15,646	1,77,47,432	**3,57,986**	3,19,276
Major goods/service lines				
Revenue from sale of				
- Air condition equipment	**1,96,15,646**	1,77,47,432	**3,57,986**	3,19,276
Timing of revenue recognition				
- At a point of time	**1,96,15,646**	1,77,47,432	**3,57,986**	3,19,276

		2017		2017
	AED	AED	**₹ in '000s**	₹ in '000s
22. COST OF SALES				
Materials consumed	**69,88,209**	81,95,282	**1,27,535**	1,47,433
Sub-contract costs	**25,55,320**	16,05,248	**46,635**	28,878
Wages and benefits	**31,35,087**	31,54,597	**57,215**	56,751
Staff end-of-service gratuity	**98,662**	65,342	**1,801**	1,176
Depreciation on property, plant and equipment (Note 27)	**51,820**	1,26,021	**946**	2,267
Amortisation (Note 28)	**1,018**	—	**18**	—
Operating lease expenses	**15,38,856**	63,190	**28,084**	1,137
Other direct costs	**9,87,293**	7,51,353	**18,018**	13,517
	1,53,56,265	1,39,61,033	**2,80,252**	2,51,159

		2017		2017
	AED	AED	**₹ in '000s**	₹ in '000s
23. OTHER OPERATING INCOME				
Scrap sales	**58,002**	54,385	**1,059**	979
Profit on disposal of property, plant and equipment (net)	—	1,29,933	—	2,337
Write back of inventory provisions	—	15,168	—	273
Credit balances written back	—	2,47,582	—	4,454
Miscellaneous income	**8,56,703**	36,210	**15,635**	651
	9,14,705	4,83,278	**16,694**	8,694

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
24. DISTRIBUTION COSTS				
Staff salaries and benefits	**2,57,610**	83,660	**4,701**	1,505
Staff end-of-service gratuity	**5,140**	541	**94**	10
Depreciation of property, plant and equipment (Note 27)	**—**	10,000	**—**	180
Other expenses	**5,73,069**	5,41,487	**10,459**	9,741
	8,35,819	6,35,688	**15,254**	11,436

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
25. ADMINISTRATIVE EXPENSES				
Staff salaries and benefits	**11,91,977**	13,18,723	**21,753**	23,723
Staff end-of-service gratuity	**58,043**	51,461	**1,059**	926
Depreciation of property, plant and equipment (Note 27)	**8,769**	19,165	**160**	345
Amortisation (Note 28)	**28,863**	15,263	**527**	275
Provision for impairment of trade receivables	**22,611**	—	**413**	—
Provision for impairment of other receivables	**—**	32,000	**—**	576
Provision for obsolete inventories	**74,129**	—	**1,353**	—
Other expenses	**7,26,891**	5,84,519	**13,266**	10,515
	21,11,283	20,21,131	**38,531**	36,360

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
26. INTEREST INCOME				
On bank deposits	**778**	12,431	**14**	224

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
27. DEPRECIATION				
Allocated to cost of sales (Note 22)	**51,820**	1,26,021	**946**	2,267
Allocated to distribution costs (Note 24)	**—**	10,000	**—**	180
Allocated to administrative expenses (Note 25)	**8,769**	19,165	**160**	345
	60,589	1,55,186	**1,106**	2,792

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
28. AMORTISATION				
Allocated to cost of sales (Note 22)	**1,018**	—	**18**	—
Allocated to administrative expenses (Note 25)	**28,863**	15,263	**527**	275
	29,881	15,263	**545**	275

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

29. FINANCIAL INSTRUMENTS

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

	At Amortised Cost	
	AED	**₹ in '000s**
At 31st December 2018		
Financial assets		
Trade and other receivables	**1,40,27,408**	**2,66,941**
Cash and cash equivalents	**10,14,746**	**19,311**
Other financial assets	**7,20,247**	**13,706**
	1,57,62,401	**2,99,958**
Financial liabilities		
Trade and other payables	**38,96,451**	**74,149**
	38,96,451	**74,149**

The effect of initially applying IFRS 9 on the Company's financial instruments is described in Note 2 (d). Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

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 outstanding 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	2017 AED	**₹ in '000s**	2017 ₹ in '000s
Kingdom of Saudi Arabia	**1,94,867**	3,94,867	**3,708**	6,894
Sultanate of Oman	**30,97,311**	29,15,130	**58,942**	50,898

At the reporting date, 68% of trade receivables were due from three customers (Previous year : 70% due from four customers) [including related parties].

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

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

Based on the assessment, the Management believes that the new impairment requirement under IFRS 9 does not have any significant impact on the financial statements.

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 UAE 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 financial assets and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments

30. OPERATING LEASE COMMITMENTS

The Company has entered into non-cancellable operating leases for factory land. The total of the future lease payments is as follows:

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
Not later than one year	**61,900**	61,900	**1,130**	1,114
Between one and five years	**1,80,443**	2,42,442	**3,293**	4,362

31. CONTINGENT LIABILITIES

	AED	2017 AED	**₹ in '000s**	2017 ₹ in '000s
Bankers' letters of guarantee (Note 12)	**7,00,000**	4,00,000	**13,321**	6,984
Unutilised balances of commercial letters of credit (Note 12)	—	6,12,987	—	10,703

32. TAXATION

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

33. COMPARATIVE INFORMATION

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

Directors

Jayant Balan

E. C. Prasad

Dubai, 30th April, 2019

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

Director :
Mohammad Rashid

Supervisory Board :
P. N. Dhume
Anil George
Jayant Balan
E. C. Prasad

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Annual Report and the Accounts for the year ended 31st December, 2018.

2. The Company reported higher turnover of Saudi Riyals (SR) 12.982 million for the year under review, as compared to SR 12.439 million in the previous year. The Company recorded net profit of SR 0.753 million during the year as compared to loss of SR 0.479 million in the previous year.

3. The Company secured new orders worth SR 29.347 million during the year under review and the overall order book position as at 31st December, 2018 was SR 17.937 million.

4. Mr. E. C. Prasad was appointed as Member of the Supervisory Board of the Company with effect from 17th May, 2018, in place of Mr. B. G. Prabhuajgaonkar. The Supervisory Board placed on record their appreciation of the valuable contribution made by Mr. B. G. Prabhuajgaonkar during his tenure on the Supervisory Board.

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

Mohammad Rashid
Director

Jeddah, 18th March, 2019

INDEPENDENT AUDITORS' REPORT

TO THE PARTNERS' OF
SAUDI ENSAS COMPANY FOR ENGINEERING SERVICES
(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, 2018, the statement of profit or loss and other comprehensive income, statement of changes in partners' 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, 2018, 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) that are 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 that are 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 the Note 1, stated therein that the Company's accumulated losses amounting to SR 2,85,79,585 (₹ 532.438 million) as at 31st December, 2018, exceeded the Company's share capital. This condition indicates the existence of uncertainties that may cast significant doubt about the Company abilities as a 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 the 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 27th December, 2018, the partners unanimously resolved to support the Company to continue its operations.

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 that are 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 International Standard on Auditing (ISA) that are endorsed in the Kingdom of Saudi Arabia 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 that are 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 PkF Al-Bassam & Co.
Allied Accountants

Ahmed Abdulmajeed Mohandis
Certified Public Accountant License No. 477

Jeddah, 18th March, 2019

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2018

			As at 31-12-2017	As at 01-01-2017 (Note 5)		As at 31-12-2017	As at 01-01-2017
ASSETS	Note	**SR**	SR	SR	**₹ in '000s**	₹ in '000s	₹ in '000s
NON-CURRENT ASSETS							
Retentions receivable	22	**16,33,339**	16,48,763	13,60,062	**30,429**	28,194	24,658
Property and equipment	9	**43,356**	51,062	52,941	**808**	873	960
Total non-current assets		**16,76,695**	16,99,825	14,13,003	**31,237**	29,067	25,618
CURRENT ASSETS							
Cash and cash equivalents	6	**91,135**	2,55,160	6,06,730	**1,698**	4,363	11,000
Accounts receivables	7	**21,68,690**	25,88,068	41,48,901	**40,403**	44,256	75,220
Unbilled revenue	23	**39,54,073**	35,99,056	68,95,241	**73,664**	61,545	1,25,011
Retentions receivable	22	**12,56,221**	7,40,728	18,21,464	**23,403**	12,666	33,023
Prepayments and other receivables	8	**3,14,877**	3,07,034	3,53,125	**5,866**	5,250	6,402
Total current assets		**77,84,996**	74,90,046	1,38,25,461	**1,45,034**	1,28,080	2,50,656
TOTAL ASSETS		**94,61,691**	91,89,871	1,52,38,464	**1,76,271**	1,57,147	2,76,274
PARTNER'S EQUITY AND LIABILITIES							
PARTNER'S EQUITY							
Share capital	1	**2,61,50,000**	2,61,50,000	2,61,50,000	**4,87,175**	4,47,165	4,74,100
Statutory reserve	13	**9,59,649**	9,59,649	9,59,649	**17,878**	16,410	17,398
Accumulated losses	1	**(2,85,79,585)**	(2,93,32,523)	(2,88,53,249)	**(5,32,438)**	(5,01,586)	(5,23,109)
Total partner's equity		**(14,69,936)**	(22,22,874)	**(17,43,600)**	**(27,385)**	(38,011)	(31,611)
NON-CURRENT LIABILITIES							
Employees' post-employment benefits	12	**22,64,137**	31,19,143	30,87,722	**42,181**	53,337	55,980
Total non-current liabilities		**22,64,137**	31,19,143	30,87,722	**42,181**	53,337	55,980
CURRENT LIABILITIES							
Bank borrowings	10	**15,79,202**	—	9,61,741	**29,421**	—	17,436
Trade payables		**20,57,772**	33,34,407	49,85,540	**38,336**	57,018	90,388
Contract advances		**6,48,602**	2,27,696	16,25,035	**12,083**	3,894	29,462
Accrued expenses and other liabilities	11	**7,75,485**	5,91,911	9,94,907	**14,447**	10,122	18,038
Due to related parties	15	**36,06,429**	41,39,588	52,02,965	**67,188**	70,787	94,330
Income tax payable	14	—	—	1,24,154	—	—	2,251
Total current liabilities		**86,67,490**	82,93,602	1,38,94,342	**1,61,475**	1,41,821	2,51,905
Total liabilities		**1,09,31,627**	1,14,12,745	1,69,82,064	**2,03,656**	1,95,158	3,07,885
TOTAL PARTNERS' EQUITY AND LIABILITIES		**94,61,691**	91,89,871	1,52,38,464	**1,76,271**	1,57,147	2,76,274

The accompanying notes from 1-26 form an integral part of these financial statements.

Note: The Statement of Financial Position has been converted into Indian Rupees @ 1 Saudi Riyal (SR) = ₹ 18.63 being the exchange rate prevailing as on 31st December, 2018. Previous year figures have been converted @ 1 SR = ₹ 17.10 being the exchange rate prevailing as on 31st December, 2017. Figures as on 1st January, 2017 have been converted @ 1 SR = ₹ 18.13 being the exchange rate prevailing as on 1st January, 2017.

Jeddah, 18th March, 2019 *Director* **Mohammad Rashid**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Note	SR	2017 SR	₹ in '000s	2017 ₹ in '000s
Contract revenues		**1,29,81,862**	1,24,38,852	**2,31,986**	2,19,173
Contract costs	16	**(1,02,20,129)**	(97,38,504)	**(1,82,634)**	(1,71,592)
Gross profit		**27,61,733**	27,00,348	**49,352**	47,581
General and administrative expenses	17	**(21,65,142)**	(31,39,458)	**(38,691)**	(55,317)
Operating profit / (loss)		**5,96,591**	(4,39,110)	**10,661**	(7,736)
Finance costs		**(23,454)**	(1,44,303)	**(419)**	(2,544)
Other income	18	**1,16,978**	19,676	**2,090**	347
Net income / (loss) before income tax		**6,90,115**	(5,63,737)	**12,332**	(9,933)
Income tax	14	**—**	—	**—**	—
NET INCOME / (LOSS) FOR THE YEAR		**6,90,115**	(5,63,737)	**12,332**	(9,933)
OTHER COMPREHENSIVE INCOME					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Re-measurement gain on defined benefit obligation		**62,823**	84,463	**1,123**	1,487
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,52,938**	(4,79,274)	**13,455**	(8,446)

The accompanying notes from 1-26 form an integral part of these financial statements.

Note: The Statement of Profit or Loss has 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). Previous year figures have been converted into Indian Rupees @ 1 SR = ₹ 17.62 being the average of the exchange rates prevailing as on 31st December, 2016 (1 SR = ₹ 18.13) and as on 31st December, 2017 (1 SR = ₹ 17.10).

Jeddah, 18th March, 2019 *Director* **Mohammad Rashid**

STATEMENT OF CHANGES IN PARTNER'S EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2018

		Share Capital		**Statutory Reserve**		**Accumulated Losses**		**Total**	
	Note	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**
Balance as at 1st January, 2017		2,61,50,000	4,74,100	9,59,649	17,398	(2,83,82,034)	(5,14,566)	(12,72,385)	(23,068)
Actuarial loss on post-employment benefits	5	—	—	—	—	(4,71,215)	(8,543)	(4,71,215)	(8,543)
Balance as at 1st January after impact of adoption of IFRS for SMEs		2,61,50,000	4,74,100	9,59,649	17,398	(2,88,53,249)	(5,23,109)	(17,43,600)	(31,611)
Loss for the year		—	—	—	—	(5,63,737)	(9,933)	(5,63,737)	(9,933)
Actuarial gain on post-employment benefits		—	—	—	—	84,463	1,489	84,463	1,489
Balance as at 31st December, 2017		2,61,50,000	4,47,165	9,59,649	16,410	(2,93,32,523)	(5,01,586)	(22,22,874)	(38,011)
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 income for the year		—	—	—	—	6,90,115	12,332	6,90,115	12,332
Actuarial gain on post employment benefits	5	—	—	—	—	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)**

The accompanying notes from 1-26 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2018

		2017		2017
	SR	SR	**₹ in '000s**	₹ in '000s
OPERATING ACTIVITIES				
Net income / (loss) before income tax	**6,90,115**	(5,63,737)	**12,232**	(9,933)
Adjustments for:				
Depreciation	**11,121**	15,184	**199**	268
Employees' post-employment benefits	**2,21,707**	2,57,013	**3,963**	4,529
Finance costs	**23,454**	1,44,303	**419**	2,544
	9,46,397	(1,47,237)	**16,913**	(2,592)
Changes in operating assets and liabilities:				
Trade receivables	**4,19,378**	15,60,833	**3,853**	30,964
Retentions receivable	**(5,00,069)**	7,92,035	**(12,972)**	16,821
Prepayments and other receivables	**(7,843)**	46,091	**(616)**	1,152
Unbilled revenues	**(3,55,017)**	32,96,185	**(12,120)**	63,466
Due to related parties	**(5,33,159)**	(10,63,377)	**(3,599)**	(23,543)
Account payables, accrued expenses and other liabilities	**(10,93,061)**	(20,54,129)	**(14,356)**	(41,285)
Contract advances	**4,20,906**	(13,97,339)	**8,190**	(25,568)
Cash from operations	**(7,02,468)**	10,33,062	**(13,087)**	17,665
Finance costs paid	**(23,454)**	(1,44,303)	**(419)**	(2,544)
Employees' post-employment benefits paid	**(10,13,890)**	(1,41,129)	**(18,118)**	(2,487)
Income tax paid	—	(1,24,154)	—	(2,188)
Net cash flows from operating activities	**(17,39,812)**	6,23,476	**(32,413)**	10,661
INVESTING ACTIVITIES				
Purchase of property and equipment	**(3,415)**	(13,305)	**(61)**	(234)
Net cash flows used in investing activities	**(3,415)**	(13,305)	**(64)**	(228)
FINANCING ACTIVITIES				
Bank borrowings	**15,79,202**	(9,61,741)	**29,421**	(17,436)
Net cash flows from / (used in) financing activities	**15,79,202**	(9,61,741)	**29,421**	(16,446)
Net change in cash and cash equivalents	**(1,64,025)**	(3,51,570)	**(2,665)**	(6,637)
Cash and cash equivalents at beginning of the year	**2,55,160**	6,06,730	**4,363**	11,000
Cash and cash equivalents at end of the year	**91,135**	2,55,160	**1,698**	4,363

The accompanying notes from 1-26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

1. ORGANIZATION AND ACTIVITIES

Saudi Ensas Company for Engineering Services W.L.L. ("the Company") was incorporated as Saudi limited liabilities company in accordance with the provisions of the Saudi Foreign Capital Investment Code and was registered on 16 Dhual-Qa'dah, 1398H (19th October, 1978) under Commercial Registration No. 4030016635. The Company obtained its SAGIA license number 112030054332-01, on 14 Jumadi Awal, 1410H (13th December, 1989).

The 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 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 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	4,49,654
Voltas Netherlands B.V.	10,140	10,000	20,140	100	8%	20,14,000	37,521
Total	**26,000**	**2,35,500**	**2,61,500**	**100**	**100%**	**2,61,50,000**	**4,87,175**

The principal activities of the Company are the 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'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.

The Regulations for Companies requires that once the losses of a Company exceed 50% of its share capital, a partners' meeting should be called to decide on whether to continue the operations of the Company or not. Further as required by Article 164, this resolution should be published in the official gazette.

As of 31st December, 2018, the accumulated losses of the Company exceeded 50% of the share capital of the Company. These financial statements are prepared on a going concern basis since the partners at their meeting dated 27th December, 2018, decided to continue the business and to provide financial support to the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) that are endorsed by Saudi Organization for 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 5.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

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 presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First time adoption of IFRS for SMEs

For the years upto and including the year ended 31st December, 2017, the Company prepared its financial statements in accordance with the accounting standards issued by SOCPA.

For the financial periods starting 1st January, 2018, and in accordance with the regulations applicable in the Kingdom of Saudi Arabia, the Company prepared its financial statements in accordance with IFRS for SMEs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA in this respect. The accompanying financial statements are the first financial statements that are

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

prepared in accordance with IFRS for SMEs.

The accompanying financial statements have been prepared in accordance with the requirements of Section 35 "Transition to IFRS for SMEs". The effect of IFRS for SMEs transition on the financial statements as at 31st December, 2017 and 1st January, 2017 are disclosed in Note 5 to the accompanying financial statements.

The following is a summary of significant accounting policies applied by the Company:

(a) Accounts receivables

Accounts 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 risk 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.

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) 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 the assets (an incurred 'loss event') and that loss event (or events) has an impact on estimated future cash flow of the financial asset or 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 that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with defaults, if any.

(iv) 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.

(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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

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 de-recognised as well as through the amortization process.

De-recognition

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

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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. 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.

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 which 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) Accounts 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

(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.

(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 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.

(i) 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.

(ii) 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 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 as 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

(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 judgements, apart from those involving estimations described below, that the Management have made in the process of applying the Company's accounting policies and have the most significant effect on the amounts 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.

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. TRANSITION TO IFRS

The Company has performed during the preceeding periods until 31st December, 2017 including the year ended on that date to prepare and publish financial statements in accordance with SOCPA. The Company has adopted the IFRS of SME's adopted in Saudi Arabia and other standards approved by SOCPA to prepare its financial statements from 1st January, 2017 in addition to preparing comparative figures on that basis. Accordingly, these financial statements have been prepared in accordance with the IFRS of SMEs for the first time, Section 35 adopted in the Kingdom of Saudi Arabia. It has prepared a list as a financial centre opening on 1st January, 2017 after making the necessary adjustments for the transition from previous standards to IFRS adopted in the Kingdom of Saudi Arabia.

Exemptions applicable

The IFRS for SMEs allows for the first time Section 35 adopted in Saudi Arabia for entities that comply with the IFRS for SMEs adopted in Saudi Arabia and the standards and other publications approved by SOCPA for the first time with certain exemptions from the application retroactive to certain requirements under these standards, the Company did not apply any exemptions.

Estimates

The estimates are consistent with those of the same accounting dates as at 1st January, 2017 and 31st December, 2017 (adjusted to reflect any differences in accounting policies) except for the use of estimates of the liability of employees.

The following is a reconciliation of the Company's financial position as reported in accordance with the previous accounting principles with the statement of financial position in accordance with the IFRS for SMEs at the date of transition, 1st January, 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

TRANSITION TO IFRS (contd.)

	SR	IFRS adjustment	SR	₹ in '000s
ASSETS				
Non-current assets				
Retentions receivable	13,60,062	—	13,60,062	24,658
Property and equipment (net)	52,941	—	52,941	960
Total non-current assets	14,13,003	—	14,13,003	25,618
Current assets				
Cash and cash equivalents	6,06,730	—	6,06,730	11,000
Trade receivables	41,48,901	—	41,48,901	75,220
Retentions receivable	18,21,464	—	18,21,464	33,023
Prepayments and other receivables	3,53,125	—	3,53,125	6,402
Unbilled revenue	68,95,241	—	68,95,241	1,25,011
Total current assets	1,38,25,461	—	1,38,25,461	2,50,656
TOTAL ASSETS	1,52,38,464	—	1,52,38,464	2,76,274
PARTNER'S EQUITY AND LIABILITIES				
Partner's equity				
Share capital	2,61,50,000	—	2,61,50,000	4,74,100
Statutory reserve	9,59,649	—	9,59,649	17,398
Accumulated losses	(2,83,82,034)	(4,71,215)	(2,88,53,249)	(5,23,109)
Total partner's equity	(12,72,385)	(4,71,215)	(17,43,600)	(31,611)
Non-current liabilities				
End-of-services indemnities	26,16,507	4,71,215	30,87,722	55,980
Total non-current liabilities	26,16,507	4,71,215	30,87,722	55,980
Current liabilities				
Bank borrowings	9,61,741	—	9,61,741	17,436
Trade payables	49,85,540	—	49,85,540	90,388
Contract advances	16,25,035	—	16,25,035	29,462
Accrued and other liabilities	9,94,907	—	9,94,907	18,038
Due to related parties	52,02,965	—	52,02,965	94,330
Income tax payable	1,24,154	—	1,24,154	2,251
Total current liabilities	1,38,94,342	—	1,38,94,342	2,51,905
Total liabilities	1,65,10,849	4,71,215	1,69,82,064	3,07,885
TOTAL PARTNERS' EQUITY AND LIABILITIES	1,52,38,464	—	1,52,38,464	2,76,274

	As at 31-12-2017 SR	IFRS adjustment SR	As at 31-12-2017 SR	As at 31-12-2017 ₹ in '000s
ASSETS				
Non-current assets				
Retentions receivable	16,48,763	—	16,48,763	28,194
Property and equipment (net)	51,062	—	51,062	873
Total non-current assets	16,99,825	—	16,99,825	29,067

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

TRANSITION TO IFRS (contd.)

The Company's reconciliation of partner's equity as at 31st December, 2017.

Current assets				
Cash and cash equivalents	2,55,160	—	2,55,160	4,363
Trade receivables	25,88,068	—	25,88,068	44,256
Retentions receivable	7,40,728	—	7,40,728	12,666
Prepayment and other receivables	2,32,034	75,000	3,07,034	5,250
Unbilled revenue	35,99,056	—	35,99,056	61,545
Total current assets	74,15,046	75,000	74,90,046	1,28,080
TOTAL ASSETS	91,14,871	75,000	91,89,871	1,57,147
PARTNER'S EQUITY AND LIABILITIES				
Partner's equity				
Share capital	2,61,50,000	—	2,61,50,000	4,47,165
Statutory reserve	9,59,649	—	9,59,649	16,410
Accumulated losses	(2,90,78,460)	(2,54,063)	(2,93,32,523)	(5,01,586)
Total Partner's equity	(19,68,811)	(2,54,063)	(22,22,874)	(38,011)
Non-current liabilities				
Employees' post-employment benefits	27,90,080	3,29,063	31,19,143	53,337
Total non-current liabilities	27,90,080	3,29,063	31,19,143	53,337
Current liabilities				
Trade payables	33,34,407	—	33,34,407	57,018
Contract advances	2,27,696	—	2,27,696	3,894
Accrued expenses and other liabilities	5,91,911	—	5,91,911	10,122
Due to related parties	41,39,588	—	41,39,588	70,787
Total current liabilities	82,93,602	—	82,93,602	1,41,821
Total liabilities	1,10,83,682	3,29,063	1,14,12,745	1,95,158
TOTAL PARTNERS' EQUITY AND LIABILITIES	91,14,871	75,000	91,89,871	1,57,147

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

TRANSITION TO IFRS (contd.)

The Company's reconciliation of statement of comprehensive income for the year ended 31st December, 2017.

		IFRS adjustment		
	SR	SR	SR	₹ in '000s
Contract revenues	1,24,38,852	—	1,24,38,852	2,19,173
Contract costs	(98,71,193)	1,32,689	(97,38,504)	(1,71,592)
Gross profit	25,67,659	1,32,689	27,00,348	47,581
General and administrative expenses	(31,39,458)	—	(31,39,458)	(55,317)
Operating loss	(5,71,799)	1,32,689	(4,39,110)	(7,736)
Finance charges	(1,44,303)	—	(1,44,303)	(2,544)
Other income	19,676	—	19,676	347
Net (loss) before income tax	(6,96,426)	1,32,689	(5,63,737)	(9,933)
Income tax	—	—	—	—
NET (LOSS)	(6,96,426)	1,32,689	(5,63,737)	(9,933)
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Actuarial Loss on post-employment benefits	—	84,463	84,463	1,487
Total comprehensive income for the year	(6,96,426)	2,17,152	(4,79,274)	(8,446)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, cash at bank and demand deposits, with original maturities of three months or less.

		As at 31-12-2017		As at 31-12-2017
	SR	SR	**₹ in '000s**	₹ in '000s
Cash and bank balances	**91,135**	2,55,160	**1,698**	4,363

7. ACCOUNTS RECEIVABLES

		As at 31-12-2017		As at 31-12-2017
	SR	SR	**₹ in '000s**	₹ in '000s
Accounts receivable	**21,68,690**	25,88,068	**40,403**	44,256

Note: The Company entered into settlement agreement with a customer to settle outstanding balance of SR 12,51,721 (₹ 23.320 million) representing SR 10,43,597 (₹ 19.942 million) retention balance and balance of receivable of SR 2,08,124 (₹ 3.877 million) that will be settled in installment and agreed to be settled during 2019.

8. PREPAYMENTS AND OTHER RECEIVABLES

Cash and cash equivalents include cash, cash at bank and demand deposits, with original maturities of three months or less.

	SR	As at 31-12-2017 SR	₹ in '000s	As at 31-12-2017 ₹ in '000s
Advance to suppliers	**99,350**	1,74,101	**1,851**	2,977
Employees custody	**28,654**	75,000	**534**	1,283
Prepaid expenses	**1,84,863**	49,133	**3,444**	840
Others	**2,010**	8,800	**37**	150
	3,14,877	3,07,034	**5,866**	5,250

9. PROPERTY AND EQUIPMENT

	Machinery		Furniture and fixtures		Office equipment		Vehicles		Porta cabins		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 at 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

10. BANK BORROWINGS

Dated 5th August, 2018, the Company had credit facilities from a bank aggregating SR 1,00,00,000 (₹ 186.300 million) and segregated into Letter of credit limit of SR 50,00,000 (₹ 93.150 million) and Letter of guarantees of SR 30,00,000 (₹ 55.890 million) and Overdraft limit of SR 20,00,000 (₹ 37.260 million) which bear SIBOR interest rates plus 2.5% and are secured by the Promissory Note from Company to the bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

11. ACCRUED AND OTHER LIABILITIES

	SR	As at 31-12-2017 SR	**₹ in '000s**	As at 31-12-2017 ₹ in '000s
Salaries and other benefits	**3,89,163**	4,40,983	**7,250**	7,541
Value added tax payable	**25,008**	—	**466**	—
Other liabilities	**3,61,314**	1,50,928	**6,731**	2,581
	7,75,485	5,91,911	**14,447**	10,122

12. EMPLOYEES' POST-EMPLOYMENT BENEFITS

	SR	2017 SR	**₹ in '000s**	2017 ₹ in '000s
Present value of the defined benefit obligation opening balance	**31,19,143**	30,87,722	**53,337**	55,980
Service cost				
– Current service cost	**1,49,872**	1,74,041	**2,678**	3,067
– Past service cost	—	—	—	—
– Losses on settlement	—	—	—	—
Interest on defined benefit obligations	**71,835**	82,972	**1,284**	1,462
Benefits paid during the period	**(10,13,890)**	(1,41,129)	**(18,118)**	(2,487)
Re-measurement gain on defined benefit obligation	**(62,823)**	(84,463)	**(1,123)**	(1,488)
Present value of the defined benefit obligation closing balance	**22,64,137**	31,19,143	**42,181**	53,337

Below are the significant assumptions

		31-12-2017	01-01-2017
Discount rate for year-end obligation (% per annum)	**3.60%**	2.75%	2.75%
Rate of change in salary (% per annum)	**3.00%**	3.00%	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	2017 SR	**₹ in '000s**	2017 ₹ in '000s
Discount rate +1%	**21,71,900**	29,87,866	**38,812**	52,646
Discount rate -1%	**23,66,090**	32,62,189	**42,282**	57,480
Long term salary +1%	**23,65,677**	32,61,615	**42,275**	57,470
Long term salary -1%	**21,70,523**	29,85,893	**38,787**	52,611

13. 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 until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

14. INCOME TAX PAYABLE

	SR	31-12-2017 SR	01-01-2017 SR	**₹ in '000s**	31-12-2017 ₹ in '000s	01-01-2017 ₹ in '000s
Adjustment for net income						
Net income for the year	**6,90,115**	(6,96,426)	7,90,658	**12,332**	(12,271)	14,169
Provision end-of-service benefits	**2,21,707**	3,89,702	1,50,967	**3,962**	6,867	2,705
Difference in depreciation	**(11,121)**	(10,321)	(25,081)	**(199)**	(182)	(449)
Adjusted net income	**9,00,701**	(3,17,045)	9,16,544	**16,096**	(5,586)	16,425
Less:						
Accumulated losses not to exceed 25% of net income for the year	**—**	—	(2,29,136)	**—**	—	(4,106)
End-of-service benefits paid	**(10,13,890)**	(2,16,129)	(66,637)	**(18,118)**	(3,808)	(1,194)
Tax base	**(1,13,189)**	(5,33,174)	6,20,771	**(2,023)**	(9,394)	11,125
Tax @ 20%	**—**	—	1,24,154	**—**	—	2,225

The movement in the income tax provision is as follows:

	SR	2017 SR	**₹ in '000s**	2017 ₹ in '000s
1st January	**—**	1,24,154	**—**	2,251
Payments during the year	**—**	(1,24,154)	**—**	(2,188)
31st December	**—**	—	**—**	—

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

Outstanding assessments:

The tax returns for the years 2008 to 2016 are under review by the GAZT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

15. 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
Olayan Voltas Contracting Company Limited	Affiliate

The significant transactions and the related amounts are as follows:

	SR	2017 SR	₹ in '000s	2017 ₹ in '000s
Purchases of materials and services	**—**	12,80,234	**—**	22,558
Expenses reimbursed to affiliates	**72,792**	8,83,078	**1,301**	15,560
Expenses incurred on behalf of affiliates	**—**	68,551	**—**	1,208
Current account from partners	**867**	—	**16**	—

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

	SR	2017 SR	₹ in '000s	2017 ₹ in '000s
Olayan Voltas Contracting Company Limited	**25,72,248**	28,01,932	**47,921**	47,913
Weathermaker Limited	**1,96,027**	4,03,145	**3,652**	6,894
Voltas Limited	**2,01,000**	2,46,439	**3,745**	4,214
Voltas Limited – U.A.E.	**3,62,548**	3,61,809	**6,754**	6,187
Universal Voltas L.L.C.	**2,74,606**	2,26,323	**5,116**	3,870
Universal Weathermaker Factory L.L.C.	—	99,940	—	1,709
	36,06,429	41,39,588	**67,188**	70,787

16. CONTRACT COSTS

	SR	2017 SR	₹ in '000s	2017 ₹ in '000s
Material costs	**60,13,705**	67,26,189	**1,07,465**	1,18,516
Sub-contractor cost	**13,67,678**	8,59,209	**24,440**	15,139
Salaries and benefits	**27,80,402**	14,20,573	**49,686**	25,030
Other expenses	**58,344**	7,32,533	**1,043**	12,907
	1,02,20,129	97,38,504	**1,82,634**	1,71,592

17. GENERAL AND ADMINISTRATIVE EXPENSES

		2017		2017
	SR	SR	**₹ in '000s**	₹ in '000s
Salaries and benefits	**13,29,927**	22,66,819	**23,765**	39,941
Rent (Note 21)	**1,76,191**	1,68,660	**3,149**	2,972
Vehicle expenses	**3,989**	9,091	**71**	160
Communication, travel and insurance	**1,97,681**	1,07,665	**3,533**	1,897
Office expenses	**1,41,703**	62,077	**2,532**	1,094
Depreciation	**11,121**	15,184	**199**	268
Professional and legal fees	**2,50,693**	2,17,103	**4,480**	3,825
Bad debts	—	28,904	—	509
Other expenses	**53,837**	2,63,955	**962**	4,651
	21,65,142	31,39,458	**38,691**	55,317

18. OTHER INCOME

		2017		2017
	SR	SR	**₹ in '000s**	₹ in '000s
Receipts against bad debts written off	**61,854**	—	**1,105**	—
Scrap sales	**17,205**	7,699	**307**	136
Others	**37,919**	11,977	**678**	211
	1,16,978	19,676	**2,090**	347

19. TRANSACTIONS WITH MAJOR CUSTOMERS

Contract revenue from three major customers amounted to SR 10.34 million (₹ 184.776 million) [2017: SR 8.90 million (₹ 156.818 million)], which represents approximately 80% (2017: 72%) of the total contract revenue.

20. 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.

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, the maximum credit risk exposure to the Company is the carrying value as disclosed in the balance sheet.

Cash and cash equivalents are maintained with local banks approved by the Management. The Company's bank balances are maintained with a reputable local bank in accordance with limits set by the Board of Directors.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

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 in 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.

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 receivables, 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 risk 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.

21. OPERATING LEASE ARRANGEMENTS

	SR	2017 SR	**₹ in '000s**	2017 ₹ in '000s
Payments under operating leases recognized as an expense during the year	**1,76,191**	1,68,660	**3,149**	2,972

22. RETENTIONS RECEIVABLE – NON-CURRENT PORTION

The non-current portion of retentions receivable represent retentions that have been withheld by the contract owners from payments due to the Company and which will be collected in a period exceeding one year from the reporting date.

	SR	2017 SR	**₹ in '000s**	2017 ₹ in '000s
Retentions receivable	**28,89,560**	23,89,491	**53,832**	40,860
Less - Current portion	**12,56,221**	7,40,728	**23,403**	12,666
Non-current portion	**16,33,339**	16,48,763	**30,429**	28,194

The impact of discounting the non-current retentions receivable to be presented at their fair value as of 31st December, 2018 has not been accounted for as the Company's management believes that the amount is immaterial.

23. UNBILLED REVENUE

	SR	2017 SR	**₹ in '000s**	2017 ₹ in '000s
Contracts in progress at the end of the reporting period				
Construction costs incurred plus recognized profits less recognized losses to date	**2,87,85,054**	2,97,94,425	**5,36,266**	5,09,485
Less : Progress billings	**(2,48,30,981)**	(2,61,95,369)	**(4,62,602)**	(4,47,940)
	39,54,073	35,99,056	**73,664**	61,545
Recognized and included in the financial statements as amount due:				
From customers under construction contracts - unbilled revenue	**39,54,073**	35,99,056	**73,664**	61,545

24. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

25. COMPARATIVE FIGURES

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

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Management on 18th March, 2019 corresponding to 11 Rajab 1440H.

Jeddah, 18th March, 2019 *Director* **Mohammad Rashid**

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

Directors :

Anil George *(Chairman)*

Issa Lalbuksh Al Raisi

P. N. Dhume

E. C. Prasad *(w.e.f. 11th December, 2018)*

K. Prabhakar *(w.e.f. 16th April, 2019)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Annual Report and the Accounts for the year ended 31st December, 2018.

2. The Company has recorded higher turnover of Rials Omani (RO) 6.032 million for the year ended 31st December, 2018, as compared to RO 5.727 million in the previous year. Profit was also higher at RO 0.769 million as compared to RO 0.659 million in the previous year. During January 2019, the Water Management Division has secured a large order of RO 3.990 million.

3. Mr. E. C. Prasad was appointed as Director of the Company with effect from 11th December, 2018, in place of Mr. B. G. Prabhuajgaonkar. Mr. K. Prabhakar was appointed as a Director with effect from 16th April, 2019, in place of Mr. Jayant Balan. The Directors placed on record their appreciation of the valuable contributions made by Mr. B. G. Prabhuajgaonkar and Mr. Jayant Balan during their respective tenure on the Board.

4. The Company had declared an interim dividend of RO 0.125 million in April 2018. Based on the financial performance of the Company and improved cash flow, the Directors recommended final dividend of RO 0.450 million. Thus, total dividend for the year ended 31st December, 2018, was RO 0.575 million (Previous year: RO 0.225 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

Anil George
Chairman

Muscat, 16th April, 2019

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, 2018, 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, 2018, 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, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

PKF L.LC.
Chartered Accountants
Sultanate of Oman

Muscat, 16th April, 2019

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2018

	Notes	RO	As at 31-12-2017 RO	₹ in '000s	As at 31-12-2017 ₹ in '000s
ASSETS					
NON-CURRENT ASSET					
Property, plant and equipment	3	**1,35,446**	1,74,736	**24,583**	29,085
Contract assets	7	**2,05,363**	9,221	**37,273**	1,535
Other financial assets	9	**4,57,822**	5,79,387	**83,095**	96,439
		7,98,631	7,63,344	**1,44,951**	1,27,059
CURRENT ASSETS					
Inventories	4	**71,313**	47,347	**12,943**	7,881
Contract and other receivables	5	**11,19,161**	15,83,079	**2,03,128**	2,63,504
Other current assets	6	**1,82,225**	39,917	**33,074**	6,644
Contract assets	7	**39,35,039**	39,88,990	**7,14,210**	6,63,967
Cash and cash equivalents	8	**12,97,393**	7,59,231	**2,35,477**	1,26,374
		66,05,131	64,18,564	**11,98,832**	10,68,370
TOTAL ASSETS		**74,03,762**	71,81,908	**13,43,783**	11,95,429
EQUITY AND LIABILITIES					
MEMBERS' FUNDS					
Share capital	10	**2,50,000**	2,50,000	**45,375**	41,613
Legal reserve		**83,334**	83,334	**15,125**	13,871
General reserve		**7,50,000**	7,50,000	**1,36,125**	1,24,838
Accumulated profits		**32,25,169**	28,05,937	**5,85,368**	4,67,048
Equity funds		**43,08,503**	38,89,271	**7,81,993**	6,47,370
NON-CURRENT LIABILITY					
Staff end-of-service gratuity		**2,19,177**	2,11,585	**39,781**	35,218
CURRENT LIABILITIES					
Trade and other payables	11	**18,51,328**	19,43,985	**3,36,016**	3,23,576
Contract liabilities	12	**8,89,583**	10,16,981	**1,61,459**	1,69,277
Current tax payable		**1,35,171**	1,20,086	**24,534**	19,988
		28,76,082	30,81,052	**5,22,009**	5,12,841
TOTAL EQUITY AND LIABILITIES		**74,03,762**	71,81,908	**13,43,783**	11,95,429

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) = ₹ 181.50 being the exchange rate prevailing as on 31st December, 2018. Previous year figures have been converted @ 1 RO = ₹ 166.45 being the exchange rate prevailing as on 31st December, 2017.

Directors **Anil George**

Muscat, 16th April, 2019 **Issa Lalbuksh Al Raisi**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Notes	RO	2017 RO	₹ in '000s	2017 ₹ in '000s
REVENUE	13	**60,32,172**	57,27,215	**10,49,477**	9,82,160
Cost of works executed	14	**(49,28,546)**	(47,36,383)	**(8,57,468)**	(8,12,242)
GROSS PROFIT		**11,03,626**	9,90,832	**1,92,009**	1,69,918
Other operating income	15	**97,691**	89,368	**16,996**	15,326
Staff costs		**(1,10,615)**	(1,47,118)	**(19,245)**	(25,229)
Director's remuneration		**(9,163)**	(9,168)	**(1,594)**	(1,572)
Depreciation		**(18,437)**	(18,557)	**(3,208)**	(3,182)
Other operating expenses	16	**(1,69,481)**	(1,34,545)	**(29,486)**	(23,073)
PROFIT FROM OPERATING ACTIVITIES		**8,93,621**	7,70,812	**1,55,472**	1,32,188
Interest income		**14,289**	13,906	**2,486**	2,385
Finance costs	17	**(2,931)**	(4,953)	**(510)**	(849)
NET PROFIT FOR THE YEAR BEFORE TAX		**9,04,979**	7,79,765	**1,57,448**	1,33,724
Income tax expense for current year	20	**(1,35,171)**	(1,20,498)	**(23,517)**	(20,664)
Income tax expense for earlier years		**(576)**	—	**(100)**	—
NET PROFIT FOR THE YEAR AFTER TAX		**7,69,232**	6,59,267	**1,33,831**	1,13,060
Other comprehensive income for the year		**—**	—	**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,69,232**	6,59,267	**1,33,831**	1,13,060

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) = ₹ 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). Previous year figures have been converted into Indian Rupees @ 1 RO = ₹ 171.49 being the average of the exchange rates prevailing as on 31st December, 2016 (1 RO = ₹ 176.53) and as on 31st December, 2017 (1 RO = ₹ 166.45).

Directors **Anil George**

Muscat, 16th April, 2019 **Issa Lalbuksh Al Raisi**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2018

	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, 2016	2,50,000	44,133	83,334	14,711	7,50,000	1,32,398	23,46,670	4,14,258	34,30,004	6,05,500
Total comprehensive income for the year	—	—	—	—	—	—	6,59,267	1,13,060	6,59,267	1,13,060
Dividend declared and paid	—	—	—	—	—	—	(2,00,000)	(34,902)	(2,00,000)	(34,902)
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**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2018

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Cash flows from operating activities				
Net profit for the year before tax	**9,04,979**	7,79,765	**1,57,448**	1,33,724
Adjustments for:				
Depreciation	**80,404**	1,10,042	**13,989**	18,871
Profit on disposal of property, plant and equipment	**(13,990)**	—	**(2,434)**	—
Interest income	**(14,289)**	(13,906)	**(2,486)**	(2,385)
Finance costs	**2,931**	4,953	**510**	849
Operating profit before changes in operating assets and liabilities	**9,60,035**	8,80,854	**1,67,047**	1,51,059
Changes in inventories	**(23,966)**	39,805	**(5,062)**	7,504
Changes in contract and other receivables	**4,63,918**	(2,18,188)	**60,376**	(22,559)
Changes in other current assets	**(1,42,308)**	1,853	**(26,430)**	729
Changes in trade and other payables	**(92,657)**	(5,86,131)	**12,440**	(1,23,065)
Changes in staff gratuity liability	**7,592**	42,000	**4,562**	5,281
Change in contract assets	**(1,42,191)**	(4,08,228)	**(85,981)**	(31,763)
Change in contract liabilities	**(1,27,398)**	4,05,400	**(7,817)**	61,314
Cash generated from operating activities	**9,03,025**	1,57,365	**1,63,899**	26,193
Finance costs paid	**(2,931)**	(4,953)	**(510)**	(849)
Taxes paid	**(1,20,662)**	(76,612)	**(20,962)**	(13,370)
Net cash generated from operating activities (A)	**7,79,432**	75,800	**1,41,467**	12,617
Cash flows from investing activities				
Interest received	**14,289**	13,906	**2,486**	2,385
Decrease / (increase) in time deposits	**1,21,565**	(7,701)	**13,344**	4,481
Purchase of property, plant and equipment	**(41,232)**	(54,302)	**(7,174)**	(9,312)
Proceeds from disposal of property, plant and equipment	**14,108**	—	**2,455**	—
Net cash generated from / (used in) investing activities (B)	**1,08,370**	(48,097)	**19,734**	(8,006)
Cash flows from financing activity				
Dividends paid	**(3,50,000)**	(2,00,000)	**(60,333)**	(34,902)
Net cash used in financing activity (C)	**(3,50,000)**	(2,00,000)	**(63,525)**	(33,290)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**5,38,162**	(1,72,297)	**1,09,103**	(38,069)
Cash and cash equivalents at beginning of the year	**7,59,231**	9,31,528	**1,26,374**	1,64,443
Cash and cash equivalents at end of the year	**12,97,393**	7,59,231	**2,35,477**	1,26,374

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

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.

(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 with 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 2015 to 2018 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 67,375 (₹ 11.722 million) [Previous year: RO 56,539 (₹ 9.696 million)].

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(l) Legal reserve

Legal reserve is created by appropriating 10% of the net profit for the year as required by Article 154 of the Commercial Companies Law of Oman 1974. The Company has resolved not to transfer any further amount to legal reserve as legal reserve has reached 33.33% of the paid up share capital of the Company. 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.

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 / services, the Company considers the effect of variable consideration, significant financing components and consideration payable to the customer (if any).

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

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.

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 asset could give rise to cash flow 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 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 flow; and
- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(s) Financial instruments (contd.)

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 contract 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.

(s) Financial instruments (contd.)

The Company recognises an 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.

(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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (contd.)

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 (IFRS), 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 9: Financial instruments
- IFRS 15: Revenue from contracts with customers

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) The following IFRS, amendments thereto and Interpretations that are assessed by Management as likely to have an 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 16 Leases (1st January, 2019)

  IFRS 16 introduces a number of significant changes to lease accounting model. It eliminates the classification of leases as either operating lease or finance lease for a lessee, and instead all the leases are treated similar to a finance lease. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and financial liability to pay rentals are recognised. It however, does not require a company to recognise assets and liabilities for (a) Short term leases (for a period of twelve months or less) and (b) Leases of low value assets. The Company expects that the net profit after tax will decrease in initial years due to amortisation of the right to use assets and interest on the lease liability. The Company is currently evaluating the impact of IFRS 16 on the financial statements and same will be concluded in due course based on detailed assessment.

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 9

The Company has adopted IFRS 9 Financial Instruments in the current year with a date of initial application of 1st January, 2018. The requirements of IFRS 9 represent 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 summarized below:

2.8 CHANGES IN ACCOUNTING POLICIES (contd.)

(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 ECL approach.

Allowance for ECL is 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:

- 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 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 ECL is based on the 12 month ECL. The 12 month allowance for expected credit losses 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 ECL.

(iii) Transition

As per the transition method chosen by the Company, changes in accounting policies resulting from the adoption of IFRS 9 in case of financial assets have 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 ECL at as 1st January, 2018 is not material and hence no adjustment is done in opening accumulated profits.

(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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

2.8 CHANGES IN ACCOUNTING POLICIES (contd.)

(b) Change in accounting policy due to adoption of IFRS 15

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 has elected to adopt IFRS 15 using the modified retrospective method.

Accordingly:

- The comparative information for the primary financial statements has been presented based on the requirements of IAS 11, IAS 18 and related interpretations.
- 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.
- Disclosures for the comparative period in the notes to the financial statements follow the requirements of IAS 11, IAS 18 and related interpretations. As a result, the disclosure of disaggregated revenue does not include comparative information under IFRS 15.

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, 2018	92,400	15,380	10,83,951	1,80,424	1,21,547	20,231	7,68,358	1,27,893	20,66,256	3,43,928
Additions	1,450	253	2,265	394	12,507	2,176	25,010	4,351	41,232	7,174
Disposals	—	—	—	—	(910)	(158)	(49,500)	(8,612)	(50,410)	(8,770)
As at 31st December, 2018	**93,850**	**17,034**	**10,86,216**	**1,97,148**	**1,33,144**	**24,166**	**743,868**	**1,35,012**	**20,57,078**	**3,73,360**
Accumulated depreciation										
As at 1st January, 2018	49,931	8,311	10,36,194	1,72,474	76,021	12,654	7,29,374	1,21,404	18,91,520	3,14,843
Depreciation for the year	10,897	1,896	11,825	2,057	21,346	3,714	36,336	6,322	80,404	13,989
Adjustments on disposal	—	—	—	—	(798)	(139)	(49,494)	(8,611)	(50,292)	(8,750)
As at 31st December, 2018	**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**
Net book value										
As at 31st December, 2017	42,469	7,069	47,757	7,950	45,526	7,577	39,984	6,489	1,74,736	29,085
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**

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

4. INVENTORIES

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Materials	**1,72,822**	1,48,847	**31,367**	24,776
Provision for slow moving inventories	**(1,01,509)**	(1,01,500)	**(18,424)**	(16,895)
	71,313	47,347	**12,943**	7,881

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

Opening balance	**1,01,500**	1,01,500	**16,895**	17,915
Provision made	**9**	—	**2**	—
Closing balance	**1,01,509**	1,01,500	**18,424**	16,895

5. CONTRACT AND OTHER RECEIVABLES

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Contract receivables *	**12,11,694**	16,95,056	**2,19,922**	2,82,142
Allowance for expected credit loss / Provision for doubtful debts	**(1,45,400)**	(1,45,400)	**(26,390)**	(24,202)
	10,66,294	15,49,656	**1,93,532**	2,57,940
Advances to staff **	**32,739**	20,826	**5,943**	3,467
Deposits	**10,570**	8,760	**1,918**	1,458
Other receivables ***	**9,558**	3,837	**1,735**	639
	11,19,161	15,83,079	**2,03,128**	2,63,504

* Contract receivables include RO 1,24,466 (₹ 22.591 million) [Previous year: RO 1,05,747 (₹ 17.602 million)] due from a related party.

** Advance to staff includes RO 5,983 (₹ 1.086 million) [Previous year: RO Nil (₹ Nil)] due to related party.

*** Other receivables include RO 9,558 (₹ 1.735 million) [Previous year: RO 3,837 (₹ 0.639 million)] due from related parties.

The movements in the allowances for expected credit losses / provision for doubtful debts account are as follows:

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	**1,45,400**	1,45,400	**24,202**	25,667
Adjustment on initial application of IFRS 9	—	—	—	—
Balance as at 1st January, 2018 as per IFRS 9	**1,45,400**	—	**24,202**	—
Expected credit loss allowance made during the year as per IFRS 9 / Provision for bad and doubtful debts	—	—	—	—
Closing balance	**1,45,400**	1,45,400	**26,390**	24,202

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**		**Above 2 years**	
	RO	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**
2018	**12,11,694**	**2,19,922**	**10,01,299**	**1,81,735**	**1,47,753**	**26,817**	**62,642**	**11,370**
2017	16,95,056	2,82,142	13,51,391	2,24,939	2,81,103	46,790	62,562	10,413

The Company uses an ECL allowance matrix / model to measure the ECL of contract receivables. Accordingly, allowance for ECL of RO 1,45,400 (₹ 26.390 million) has been recognized 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

6. OTHER CURRENT ASSETS

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Prepayments	**270**	—	**49**	—
Advance to suppliers	**1,81,955**	39,917	**33,025**	6,644
	1,82,225	39,917	**33,074**	6,644

7. CONTRACT ASSETS

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
(a) Amounts due from customers for contract work	**34,39,823**	30,79,951	**6,24,328**	5,12,657
(b) Retentions receivable	**6,78,496**	9,09,039	**1,23,147**	1,51,310
(c) Interest accrued on bank fixed deposits	**22,083**	9,221	**4,008**	1,535
	41,40,402	39,98,211	**7,51,483**	6,65,502
Disclosed as:				
Non-current contract assets	**2,05,363**	9,221	**37,273**	1,535
Current contract assets	**39,35,039**	39,88,990	**7,14,210**	6,63,967
	41,40,402	39,98,211	**7,51,483**	6,65,502

Amounts due from customers for contract work include RO 12,169 (₹ 2.263 million) [Previous year: RO 45,113 (₹ 7.509 million)] due from a related party.

The following table provides information about the ageing profile for retention receivable as at the year end.

Ageing profile	Total		0-1 year		1-2 years		Above 2 years	
	RO	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**
2018	**6,78,496**	**1,23,147**	**5,84,158**	**1,06,025**	**72,736**	**13,201**	**21,602**	**3,921**
2017	9,09,039	1,51,310	8,82,088	1,46,824	23,388	3,893	3,563	593

8. CASH AND CASH EQUIVALENTS

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Bank balances:				
Current accounts	**12,93,426**	7,58,230	**2,34,757**	1,26,207
Smart card balances	**3,694**	592	**670**	99
	12,97,120	7,58,822	**2,35,427**	1,26,306
Cash on hand	**273**	409	**50**	68
	12,97,393	7,59,231	**2,35,477**	1,26,374

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

(a) Lien on fixed deposits of RO 2,87,972 (₹ 52.267 million) with the banks.

(b) Proportionate guarantee of Lalbuksh Contracting and Trading Establishment for RO 10,04,000 (₹ 182.226 million).

(c) Proportionate guarantee of Voltas Limited, India for RO 5,02,000 (₹ 91.113 million).

(d) Proportionate guarantee of Voltas Netherlands B.V. for RO 10,04,000 (₹ 182.226 million).

(e) Corporate guarantee of RO 15,00,000 (₹ 272.250 million) from Lalbuksh Contracting and Trading Establishment.

(f) Assignment letters from major customers.

Bank facilities are subject to financial covenants.

9. OTHER FINANCIAL ASSETS

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Fixed deposits with banks	**4,57,822**	5,79,387	**83,095**	96,439

Fixed deposits of RO 2,87,972 (₹ 52.267 million) [Previous year: RO 5,75,278 (₹ 95.755 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 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Trade payables *	**13,46,350**	14,12,173	**2,44,362**	2,35,056
Accruals	**5,04,610**	5,28,154	**91,587**	87,911
Other payables **	**368**	3,658	**67**	609
	18,51,328	19,43,985	**3,36,016**	3,23,576

* Trade payables include RO 13,266 (₹ 2.408 million) [Previous year: RO 34,259 (₹ 5.702 million)] due to a related party.

** Other payables include RO 368 (₹ 0.067 million) [Previous year: RO 3,658 (₹ 0.609 million)] due to related parties.

12. CONTRACT LIABILITIES

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
(a) Amounts due to customers for contract work	**3,19,564**	5,44,108	**58,001**	90,567
(b) Advance from customers	**5,70,019**	4,72,873	**1,03,458**	78,710
	8,89,583	10,16,981	**1,61,459**	1,69,277
Disclosed as:				
Non-current contract liabilities	—	—	—	—
Current contract liabilities	**8,89,583**	10,16,981	**1,61,459**	1,69,277
	8,89,583	10,16,981	**1,61,459**	1,69,277

Amounts due to customers for contract works include RO 66 (₹ 0.012 million) [Previous year: RO 256 (₹ 0.043 million)] due to a related party.

13. REVENUE

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Contract works executed	**60,32,172**	57,27,215	**10,49,477**	9,82,160

- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

13. REVENUE (contd.)

Primary Geographical segments		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Sultanate of Oman	**60,32,172**	57,27,215	**10,49,477**	9,82,160
Others	—	—	—	—
	60,32,172	57,27,215	**10,49,477**	9,82,160
Major goods / service lines				
Contract work executed	**55,10,460**	51,28,490	**9,58,710**	8,79,485
Maintenance contracts	**5,21,712**	5,98,725	**90,767**	1,02,675
	60,32,172	57,27,215	**10,49,477**	9,82,160
Timing of revenue recognition				
Over period of time	**60,32,172**	57,27,215	**10,49,477**	9,82,160

14. COST OF WORKS EXECUTED

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Materials consumed	**20,75,122**	18,40,944	**3,61,029**	3,15,703
Labour expenses	**16,68,261**	15,13,011	**2,90,244**	2,59,466
Sub contract expenses	**4,73,940**	4,37,523	**82,456**	75,031
Depreciation	**61,967**	91,485	**10,781**	15,689
Other direct expenses	**6,49,256**	8,53,420	**1,12,958**	1,46,353
	49,28,546	47,36,383	**8,57,468**	8,12,242

15. OTHER OPERATING INCOME

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Credit balances written back	**28,430**	87,075	**4,946**	14,933
Profit on sale of fixed assets	**13,990**	—	**2,434**	—
Miscellaneous income	**55,271**	2,293	**9,616**	393
	97,691	89,368	**16,996**	15,326

16. OTHER OPERATING EXPENSES

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Rent	**73,840**	73,360	**12,846**	12,580
Repairs and maintenance	**22,770**	13,506	**3,961**	2,316
Insurance	**13,298**	5,016	**2,314**	860
Electricity and water charges	**2,476**	4,512	**431**	774
Telephones, fax and postage	**10,325**	10,092	**1,796**	1,731
Travelling and conveyance	**6,337**	2,058	**1,103**	353
Vehicle expenses	**4,553**	3,766	**792**	646
Advertisement and business promotion expenses	**5,851**	5,801	**1,018**	995
Printing and stationery	**4,686**	1,935	**815**	332
Visa expense	**2,683**	1,512	**467**	259
Miscellaneous expenses	**22,662**	12,987	**3,943**	2,227
	1,69,481	1,34,545	**29,486**	23,073

17. FINANCE COSTS

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Bank charges	**2,931**	4,953	**510**	849

18. DIVIDENDS

Dividend declared and paid of RO 3,50,000 (₹ 60.333 million) [Previous year: RO 2,00,000 (₹ 34.902 million)] represents dividend per share of RO 1.400 (₹ 241.33) [Previous year: RO 0.800 (₹ 139.61)].

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 2017	**Total**	Total 2017
	RO	**RO**	**RO**	RO	**₹ in '000s**	₹ in '000s
Rent expense	—	**73,840**	**73,840**	73,360	**12,847**	12,581
Director's remuneration	—	**9,163**	**9,163**	9,168	**1,594**	1,572
Dividend paid	—	**3,50,000**	**3,50,000**	2,00,000	**60,893**	34,298
Purchase of property, plant and equipment	—	—	—	41,003	—	7,032
Revenue	**13,244**	—	**13,244**	1,50,219	**2,304**	25,761
Materials purchased	**1,41,519**	—	**1,41,519**	6,053	**24,621**	1,038

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%) without any basic exemption limit in accordance with Income Tax Law in Oman. Taxation for the tax years 2015 to 2018 are subject to agreement with the taxation authorities.

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

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Current tax				
Charge for the current year	**1,35,747**	1,20,498	**23,617**	20,664
Income tax expenses	**1,35,747**	1,20,498	**23,617**	20,664

(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:

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Tax on accounting profit of RO 9,04,979 (₹ 157.448 million) [Previous year: RO 7,79,765 (₹ 133.722)] at applicable tax rates	**1,35,747**	1,16,965	**23,617**	20,058
Add / less tax effect of:				
Expenses disallowable	**180**	14	**31**	2
Depreciation adjustment based on depreciation rates as per tax law	**1,274**	3,519	**222**	604
Other disallowances / adjustments (net)	**(2,030)**	—	**(353)**	—
Tax expense per statement of comprehensive income	**1,35,171**	1,20,498	**23,517**	20,664

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

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 / provision.

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 11,02,243 (₹ 200.057 million) constituting 58% [Previous year: RO 18,36,176 (₹ 305.631 million) constituting 71%] of contract debtors and retentions are due from three debtors (Previous year: three debtors). As at the year end amounts due from customers for contract works of RO 19,54,262 (₹ 354.699 million) [Previous year: RO 23,65,329 (₹ 393.709 million)] constituting 57% (Previous year: 77%) are due from three (Previous year: three) customers. 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 2,37,844 (₹ 43.169 million) (comprising of dues from main contract of RO 2,36,475 (₹ 42.920 million) and dues of RO 1,369 (₹ 0.248 million) for work carried out based on engineering / verbal instructions) pertaining to different contracts, are outstanding for more than one year and are receivable from various customers, against which a provision of RO 1,45,400 (₹ 26.390 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 0.40% to 3.75% per annum (Previous year: 0.40% to 3.75% 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.

21. FINANCIAL INSTRUMENTS (contd.)

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, 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**
As at 31st December, 2017				
Staff end-of-service gratuity	—	2,11,585	2,11,585	35,218
Trade and other payables	19,43,985	—	19,43,985	3,23,576
Contract liabilities	10,16,981	—	10,16,981	1,69,276
Current tax payable	1,20,086	—	1,20,086	19,988
	30,81,052	2,11,585	32,92,637	5,48,058

22. CONTINGENT LIABILITIES

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Banker's letters of guarantees and bonds	**20,40,613**	23,99,462	**3,70,371**	3,99,390

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 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Unutilized letter of credit	**4,33,854**	44,254	**78,745**	7,366
Acceptances	**61,973**	2,07,317	**11,248**	34,508
	4,95,827	2,51,571	**89,993**	41,874

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 **Anil George**

Muscat, 16th April, 2019 **Issa Lalbuksh Al Raisi**

VOLTAS OMAN L.L.C.

Directors:

Anil George *(Chairman)*
Akber M. Sultan *(Vice Chairman)*
E. C. Prasad *(w.e.f. 11th December, 2018)*
Jayant Balan *(up to 16th April, 2019)*
K. Prabhakar *(w.e.f. 16th April, 2019)*
Rajeev Sharma *(w.e.f. 16th April, 2019)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present the Eighth Annual Report and Accounts for the year ended 31st December, 2018.

2. The general economic slowdown and adverse liquidity scenario in the Sultanate of Oman coupled with no new order booking during the year impacted the performance of the Company. The Company has reported lower turnover of Rials Omani (RO) 9.341 million as compared to RO 10.516 million in the previous year. Provision for losses of RO 0.747 million for an onerous contract resulted in the Company reporting a lower net profit of RO 0.042 million during the year as compared to net profit of RO 0.191 million in the previous year.

3. The Directors do not recommend any dividend for the year ended 31st December, 2018 (Previous year: Nil).

4. Mr. E. C. Prasad was appointed as Director of the Company with effect from 11th December, 2018, in place of Mr. B. G. Prabhuajgaonkar. Mr. K. Prabhakar and Mr. Rajeev Sharma were appointed as Directors of the Company with effect from 16th April, 2019, in place of Mr. Jayant Balan and Mr. Satish Moorjani. The Directors placed on record their appreciation of the valuable contributions made by Mr. B. G. Prabhuajgaonkar, Mr. Jayant Balan and Mr. Satish Moorjani during their respective tenures 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

Anil George
Chairman

Muscat, 16th April, 2019

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, 2018, 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, 2018, 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.

Emphasis of Matters

We draw attention to:

- Note number 2.3 to these financial statements regarding going concern concept,
- Note number 19 to these financial statements regarding classification of provision as an exceptional item,
- Note number 22 in these financial statements regarding credit risk exposures.

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 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 or internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

PKF L.L.C.
Chartered Accountants
Sultanate of Oman

Muscat, 16th April, 2019

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	Notes	RO	As at 31-12-2017 RO	₹ in '000s	As at 31-12-2017 ₹ in '000s
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	**1,58,182**	2,01,285	**28,710**	33,504
Long term deposits	5	**1,018**	1,018	**185**	169
		1,59,200	2,02,303	**28,895**	33,673
CURRENT ASSETS					
Inventories	4	**—**	17,41,875	—	2,89,935
Contract and other receivables	5	**38,00,843**	26,67,170	**6,89,853**	4,43,950
Other assets	6	**4,65,064**	5,39,275	**84,409**	89,763
Contract assets	7	**56,15,106**	46,60,248	**10,19,142**	7,75,698
Cash and cash equivalents	9	**1,87,100**	8,08,270	**33,959**	1,34,537
		1,00,68,113	1,04,16,838	**18,27,363**	17,33,883
TOTAL ASSETS		**1,02,27,313**	1,06,19,141	**18,56,258**	17,67,556
EQUITY AND LIABILITIES					
MEMBERS' FUNDS					
Share capital	10	**5,00,000**	5,00,000	**90,750**	83,225
Legal reserve		**73,985**	69,777	**13,428**	11,614
Accumulated losses		**(4,78,518)**	(84,491)	**(86,851)**	(14,064)
Members' Funds		**95,467**	4,85,286	**17,327**	80,775
NON-CURRENT LIABILITY					
Staff end-of-service gratuity		**1,32,832**	1,25,694	**24,110**	20,922
CURRENT LIABILITIES					
Bank borrowings	11	**33,99,725**	20,62,479	**6,17,050**	3,43,300
Contract and other payables	12	**50,78,117**	51,25,952	**9,21,678**	8,53,215
Contract liability	13	**14,82,028**	28,02,646	**2,68,988**	4,66,500
Current tax payable		**39,144**	17,084	**7,105**	2,844
		99,99,014	1,00,08,161	**18,14,821**	16,65,859
TOTAL EQUITY AND LIABILITIES		**1,02,27,313**	1,06,19,141	**18,56,258**	17,67,556

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) = ₹ 181.50 being the exchange rate prevailing as on 31st December, 2018. Previous year figures have been converted @ 1 RO = ₹ 166.45 being the exchange rate prevailing as on 31st December, 2017.

Muscat, 16th April, 2019

Directors **Jayant Balan**
K. Prabhakar
Rajeev Sharma

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Notes	RO	2017 RO	₹ in '000s	2017 ₹ in '000s
REVENUE	14	**93,41,085**	1,05,15,659	**16,25,162**	18,03,330
Cost of works executed	15	**(85,45,697)**	(1,01,31,352)	**(14,86,780)**	(17,37,426)
GROSS PROFIT		**7,95,388**	3,84,307	**1,38,382**	65,904
Other operating income	16	**4,24,610**	1,865	**73,874**	320
Staff costs		**(2,16,243)**	(46,226)	**(37,622)**	(7,927)
Depreciation		**(15,092)**	(18,680)	**(2,626)**	(3,203)
Other operating expenses	17	**(97,850)**	(1,13,962)	**(17,024)**	(19,543)
PROFIT FROM OPERATING ACTIVITIES FOR THE YEAR		**8,90,813**	2,07,304	**1,54,984**	35,551
Finance costs	18	**(63,926)**	(867)	**(11,122)**	(149)
Exceptional item	19	**(7,47,300)**	–	**(1,30,015)**	–
NET PROFIT FOR THE YEAR BEFORE TAX		**79,587**	2,06,437	**13,847**	35,402
Income tax expense for the current year	20	**(37,516)**	(15,455)	**(6,527)**	(2,650)
NET PROFIT FOR THE YEAR AFTER TAX		**42,071**	1,90,982	**7,320**	32,752
Other comprehensive income / (loss) for the year		**—**	—	**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**42,071**	1,90,982	**7,320**	32,752

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) = ₹ 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). Previous year figures have been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 171.49 being the average of the exchange rates prevailing as on 31st December, 2016 (1 RO = ₹ 176.53) and as on 31st December, 2017 (1 RO = ₹ 166.45).

Directors **Jayant Balan**

Muscat, 16th April, 2019 **K. Prabhakar**

Rajeev Sharma

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2018

		Share capital		**Legal reserve**		**Accumulated losses**		**Total**	
	Note	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**
As at 31st December, 2016		5,00,000	88,265	50,679	8,946	(2,56,375)	(45,258)	2,94,304	51,953
Total comprehensive income for the year		—	—	—	—	1,90,982	32,752	1,90,982	32,752
Transfer to legal reserve		—	—	19,098	3,179	(19,098)	(3,179)	—	—
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	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 loss 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**	**(478,518)**	**(86,851)**	**95,467**	**17,327**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2018

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Cash flows from operating activities				
Net profit for the year before tax	**79,587**	2,06,437	**13,847**	35,402
Adjustments for:				
Depreciation on property, plant and equipment	**60,946**	57,142	**10,603**	9,799
Exceptional item	**7,47,300**	—	**1,30,015**	—
Finance cost	**63,926**	867	**11,122**	149
Operating profit before changes in operating assets and liabilities	**9,51,759**	2,64,446	**1,65,587**	45,350
Change in contract and other receivables, other assets and contract assets	**(31,93,510)**	8,81,648	**(6,98,016)**	2,34,934
Change in contract and other payables, staff end-of-service gratuity payable and contract liability	**(13,61,315)**	(10,40,200)	**(1,25,862)**	(2,64,814)
Change in inventories	**17,41,875**	13,27,272	**2,89,935**	2,51,861
Related parties' balances	**—**	(57,449)	**—**	(10,141)
Cash (used in) / from operating activities	**(18,61,191)**	13,75,717	**(3,37,806)**	2,28,988
Tax paid	**(15,456)**	—	**(2,651)**	—
Net cash (used in) / from operating activities (A)	**(18,76,647)**	13,75,717	**(3,40,611)**	2,28,988
Cash flows from investing activity				
Purchase of property, plant and equipment	**(17,843)**	(1,07,435)	**(3,104)**	(18,424)
Net cash used in investing activity (B)	**(17,843)**	(1,07,435)	**(3,239)**	(17,883)
Cash flows from financing activities				
Proceeds from / (repayments of) bank borrowings	**13,37,246**	(5,47,516)	**2,73,750**	(1,17,443)
Finance cost paid	**(63,926)**	(867)	**(11,122)**	(149)
Net cash from / (used in) financing activities (C)	**12,73,320**	(5,48,383)	**2,31,108**	(91,278)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(6,21,170)**	7,19,899	**(1,00,578)**	1,18,936
Cash and cash equivalents at beginning of the year	**8,08,270**	88,371	**1,34,537**	15,600
Cash and cash equivalents at end of the year	**1,87,100**	8,08,270	**33,959**	1,34,537

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

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 undertakes electrical, heating, ventilating, air-conditioning and mechanical contracting works.

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.

- As per the statement of financial position, the Company has accumulated net losses of RO 4,78,518 (₹ 86.851 million) as at 31st December, 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(c) Inventories

From the current 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 jobs costs.

Upto 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 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 allowance for expected credit losses. Bad debts are written off or fully provided for as they arise.

(e) Contract assets

A Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The contract assets are transferred to receivables when the rights become unconditional.

(f) Amounts due from / to customers for contract work

Amounts due from / to customers for contract work represents costs incurred on contracts plus recognised profits less recognised losses and progress billings. Contract costs comprises costs of materials, labour, subcontract 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 Article 154 of the Commercial Companies Law of Oman, 1974. 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 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 70,857 (₹ 12.328 million) [Previous year: RO 84,044 (₹ 14.413 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 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 recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

(m) Contract liabilities

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

(n) Taxation

Provision for income tax has 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 2018 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

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 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 derecognised, modified or impaired.

The Company's financial assets at amortised cost includes long term deposits, contract and other receivables, contract assets and cash equivalents.

Company does not have any financial assets at fair value through other comprehensive income with recycling of cumulative gains or losses, financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon recognition and financial assets at fair value through profit or loss.

Impairment of financial assets

The Company measures Expected Credit Loss (ECL) in a way that reflects:

(a) An un-biased and probability weighted amount that is determined by evaluating a range of possible outcomes.

(b) Time value of money.

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company recognises an 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 expected credit losses 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 recognizing 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 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.

All allowances for ECL have been recognised under impairment of an amount due from a customer for contract work (Refer Note Nos. 7 and 19 to these financial statements).

(q) Revenue

Revenue from contracts with customers

The Company undertakes electrical, heating, ventilating, air-conditioning and mechanical contracting works.

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.

In the previous year, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership has been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from tendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date.

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 when identified.

Maintenance revenue

In respect of maintenance contracts, revenue is recognised evenly over the period of the contract.

(r) Leases

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 recognized 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.

(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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

2.6 SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (contd.)

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

Contract work in progress

Contract revenues on contracts in progress at the year end are recognised on a percentage of completion basis, that requires the Company's Management to estimate the costs expected to be incurred in future to complete the contracts. Further, profits on contracts in progress are 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 are as follows.

- IFRS 9: Financial instruments
- IFRS 15: Revenue from contracts with customers

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) The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by Management as likely to have an 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 16: Leases (1st January, 2019)

  IFRS 16: introduces a number of significant changes to lease accounting model. It eliminates the classification of leases as either operating lease or finance lease for a lessee, and instead all the leases are treated similar to a finance lease. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and financial liability to pay rentals are recognised. It however, does not require a Company to recognise assets and liabilities for (a) Short term leases (for a period of twelve months or less) and (b) Leases of low value assets. The Company expects that the net profit after tax will decrease in initial years due to amortisation of the right to use assets and interest on the lease liability. The Company is currently evaluating the impact of IFRS 16 on the financial statements and same will be concluded in due course based on detailed assessment.

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 9

The Company has adopted IFRS 9 Financial Instruments in the current year with a date of initial application of 1st January, 2018. The requirements of IFRS 9 represent 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 summarized 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 ECL approach.

Allowance for ECL 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 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 ECL is based on the 12 month ECL. The 12 month allowance for ECL 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 ECL.

(iii) Transition

As per the transition method chosen by the Company, changes in accounting policies resulting from the adoption of IFRS 9 in case of financial assets have been applied retrospectively without restating comparative information as permitted by the standard. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39. Differences in the carrying amounts of financial asset resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1st January, 2018. The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings at 1st January, 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

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**

(b) Change in accounting policy due to adoption of IFRS 15

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 has elected to adopt IFRS 15 using the modified retrospective method.

Accordingly:

- The comparative information for the primary financial statements has been presented based on the requirements of IAS 11, IAS 18 and related interpretations.
- 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.
- Disclosures for the comparative period in the Notes to the financial statements are as per the requirements of IAS 11, IAS 18 and related interpretations. As a result, the disclosure of disaggregated revenue does not include comparative information under IFRS 15.

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, 2018	1,58,237	26,339	50,444	8,396	50,372	8,384	1,44,530	24,057	14,000	2,330	4,17,583	69,506
Additions	8,500	1,479	1,690	294	40	7	7,613	1,325	—	—	17,843	3,105
As at 31st December, 2018	**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**
Accumulated depreciation												
As at 1st January, 2018	47,851	7,965	23,092	3,844	42,085	7,004	1,03,232	17,183	38	6	2,16,298	36,002
Charge for the year	24,585	4,277	6,648	1,157	3,463	602	21,584	3,755	4,666	812	60,946	10,603
As at 31st December, 2018	**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**
Net book value												
As at 31st December, 2017	1,10,386	18,374	27,352	4,552	8,287	1,380	41,298	6,874	13,962	2,324	2,01,285	33,504
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**

3. PROPERTY, PLANT AND EQUIPMENT (contd.)

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Depreciation charged to cost of works executed	**45,854**	38,462	**7,977**	6,596
Depreciation charged to other operating expenses	**15,092**	18,680	**2,626**	3,203
Charge for the year	**60,946**	57,142	**10,603**	9,799

4. INVENTORIES

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Material at site	**—**	18,38,781	**—**	3,06,065
Provision for slow moving inventories	**—**	(96,906)	**—**	(16,130)
	—	17,41,875	**—**	2,89,935

From the current year, all inventories have been bought specifically for jobs and therefore have been considered fully consumed on that specific job and therefore booked as job costs.

The movement in provision for slow moving inventories account is as follows:

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	**96,906**	15,000	**16,130**	2,647
Inventories written off	**(6,000)**	—	**(1,044)**	—
Excess provision credited back to cost of works executed	**(90,906)**	(9,000)	**(15,816)**	(1,543)
Provision made during the year	**—**	90,906	**—**	15,589
Closing balance	**—**	96,906	**—**	16,130

5. CONTRACT AND OTHER RECEIVABLES

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Contract receivables*	**34,73,336**	25,71,831	**6,30,410**	4,28,081
Contract debtors billed on account of advances receivable for materials at sites	**3,17,050**	89,108	**57,545**	14,832
	37,90,386	26,60,939	**6,87,955**	4,42,913
Advance to staff	**10,457**	6,231	**1,898**	1,037
Deposits	**1,018**	1,018	**185**	169
	38,01,861	26,68,188	**6,90,038**	4,44,119
Classified as long term deposits	**(1,018)**	(1,018)	**(185)**	(169)
	38,00,843	26,67,170	**6,89,853**	4,43,950

* Contract retentions includes RO 6,935 (₹ 1.259 million) receivable from a related party on account of trade dealings.

(i) As at the year end, contract receivables, retention and amounts due from customers for contract works done aggregating to RO 26,42,157 (₹ 479.551 million), including outstanding for more than one year of RO 5,24,875 (₹ 95.265 million), are due from Carillion Alawi L.L.C. whose foreign member company is under liquidation. 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 allowance for ECL is to be made against the same, as above dues are fully certified except for amount due from customer for contract works done of RO 21,029 (₹ 3.817 million) which will be fully certified in future. 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. on a regular basis till September 2018 and subsequently RO 50,000 (₹ 9.075 million) have been received in February 2019. A proposal addressed to settle outstanding amounts is in the process of being signed by Carillion Alawi L.L.C., wherein Carillion Alawi L.L.C. is agreeing to assign the proceeds of its collection of its receivables to the Company in four installments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

5. CONTRACT AND OTHER RECEIVABLES (contd.)

(ii) Contract receivables includes certified receivable of ₹ 15,000 (₹ 2.723 million) [Previous year: RO 20,000 (₹ 3.329 million)] which is over 5 years old and RO 9,151 (₹ 1.661 million) which is over two years old. Company's Management is confident to collect these amounts in full within a reasonable time frame.

(iii) As at year end, uncertified contract receivable of RO 19,769 (₹ 3.588 million) is in the process of being certified by the main contractor.

(iv) Deductions not accounted (Refer Note No. 23 to these financial statements).

- 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
RO	**34,73,336**	**5,61,936**	**16,38,793**	**12,48,456***	**9,151**	**—**	**15,000**
₹ in '000s	**6,30,410**	**1,01,991**	**2,97,441**	**2,26,595**	**1,661**	**—**	**2,723**
2017 - RO	25,71,831	5,86,566	18,24,059	1,41,206	—	20,000	—
2017 - ₹ in '000s	4,28,081	97,634	3,03,615	23,504	—	3,329	—

*Out of RO 12,48,456 (₹ 226.595 million) which is over 1 to 2 years, an amount of RO 6,00,000 (₹ 108.900 million) is secured by letter of credit. The Company's Management is confident in collecting the balance amount which are over 1 year within a reasonable time frame.

The Company uses an ECL allowance model to measure the ECL of contract receivables. Accordingly, as at the year end all allowances for ECL have been recognised under impairment of RO 7,47,300 (₹ 135.635 million) of an amount due from a customer for contract work (Refer Note Nos. 7 and 19 to these financial statements). Any difference between the said allowance for ECL and actual credit losses that would be known / incurred in future would be charged to profit or loss in the future years in which the actual credit losses are incurred.

6. OTHER ASSETS

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Prepayments	**16,378**	6,815	**2,972**	1,135
Advance to suppliers *	**4,48,686**	5,32,460	**81,437**	88,628
	4,65,064	5,39,275	**84,409**	89,763

*Advance to suppliers includes RO 3,102 (₹ 0.563 million) which is advance given to related parties.

7. CONTRACT ASSETS

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
(a) Amounts due from customers for contract works	**45,25,924**	26,47,021	**8,21,455**	4,40,597
(b) Retentions receivable	**18,22,069**	19,70,295	**3,30,706**	3 ,27,956
(c) Accrued income *	**21,702**	42,932	**3,939**	7,146
Less - Allowance for expected credit losses	**(7,289)**	—	**(1,323)**	—
Less - Impairment of an amount due from a customer for contract work	**(7,47,300)**	—	**(1,35,635)**	—
	56,15,106	46,60,248	**10,19,142**	7,75,698
Disclosed as:				
Non-current contract assets	**—**	—	**—**	—
Current contract assets	**56,15,106**	46,60,248	**10,19,142**	7,75,698

* The Company has accrued income of RO 21,702 (₹ 0.004 million) [Previous year: RO 42,932 (₹ 0.007 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.

- The movements in the allowance for ECL on contract assets is as follows:

	RO	As at 31-12-2017 RO	₹ in '000s	As at 31-12-2017 ₹ in '000s
Opening balance	**—**	—	**—**	—
Adjustments on initial application of IFRS 9	**4,31,890**	—	**71,888**	—
Allowance written back to statement of comprehensive income	**(4,24,601)**	—	**(73,872)**	—
Closing balance	**7,289**	—	**1,323**	—

8. CONTRACT IN PROGRESS

	RO	As at 31-12-2017 RO	₹ in '000s	As at 31-12-2017 ₹ in '000s
Contract costs incurred plus recognized profits less recognised losses	**3,04,61,366**	2,83,77,412	**52,99,668**	48,66,442
Progress billings	**2,59,35,442**	2,57,30,391	**45,12,248**	44,12,505
Advance on contracts	**11,44,250**	15,58,170	**2,07,681**	2,59,357
Retentions receivable	**14,73,056**	17,71,972	**2,67,360**	2,94,945

Amount due from customers for contract works of RO 45,25,924 (₹ 821.455 million) [Previous year: RO 26,47,021 (₹ 440.597 million)] and total contract values considered as per cost to completion exercise includes, unapproved positive variations for additional works aggregating to RO 3,15,692 (₹ 57.298 million) [Previous year: RO 6,24,868 (₹ 104.009 million)] including greater than 1 year of RO 1,85,032 (₹ 33.583 million) [Previous year: RO 91,375 (₹ 15.209 million)] which are in the process of being certified and approved by main contractors. Further, positive variations of RO 19,65,267 (₹ 356.696 million) and negative variations of RO 17,000 (₹ 3.086 million) are pending for approval by main contractor as these variations are due to measurement of contract works and are part of the main re-measurable contracts which will get certified progressively and upon completion of the contract. The Management of the Company is confident that the same will be certified in due course by main contractors.

9. CASH AND CASH EQUIVALENTS

	RO	As at 31-12-2017 RO	₹ in '000s	As at 31-12-2017 ₹ in '000s
Bank balance on current accounts	**1,80,347**	8,01,978	**32,733**	1,33,489
Bank smart card account	**4,875**	3,092	**885**	515
Cash on hand	**1,878**	3,200	**341**	533
	1,87,100	8,08,270	**33,959**	1,34,537

10. SHARE CAPITAL

	Share %	RO	As at 31-12-2017 RO	₹ in '000s	As at 31-12-2017 ₹ in '000s
Mustafa Sultan Enterprises L.L.C.	**35%**	**1,75,000**	1,75,000	**31,762**	29,129
Voltas Netherlands B.V.	**65%**	**3,25,000**	3,25,000	**58,988**	54,096
	100%	**5,00,000**	5,00,000	**90,750**	83,225

The share capital comprises of 5,00,000 shares of face value RO 1 each, fully paid up.

11. BANK BORROWINGS

	RO	As at 31-12-2017 RO	₹ in '000s	As at 31-12-2017 ₹ in '000s
Short term loan	**5,00,000**	—	**90,750**	—
Bank overdrafts	**12,47,102**	6,90,188	**2,26,349**	1,14,882
Bills discounting	**12,23,243**	11,28,565	**2,22,019**	1,87,850
Loan against trust receipts	**4,29,380**	2,43,726	**77,932**	40,568
	33,99,725	20,62,479	**6,17,050**	3,43,300

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

11. BANK BORROWINGS (contd.)

Bank facilities are secured against:

(a) Corporate guarantees from members of the Company to cover project specific facilities and additional allocation under umbrella project specific facilities to three banks.

(b) Irrevocable assignment of receivables from Company's projects financed under the umbrella project specific limits to three banks.

The borrowing agreements with bank contains several restrictive and financial covenants with regards to, routing of cash, reduction of general limits, minimum net worth, 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 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Contract payables *	**44,73,363**	45,27,368	**8,11,915**	7,53,580
Accruals**	**5,38,605**	4,69,552	**97,757**	78,158
Provision for expenses during defect liability period	**66,149**	1,29,032	**12,006**	21,477
	50,78,117	51,25,952	**9,21,678**	8,53,215

* Contract payables include RO 11,43,240 (₹ 207.498 million) net [Previous year: RO 10,35,380 (₹ 172.339 million)] due to related parties. RO 42,955 (₹ 7.796 million) due to parent company and RO 1,76,659 (₹ 32.064 million) [Previous year: RO 13,572 (₹ 2.259 million)] due to ultimate parent company on account of trade dealings.

**Accruals include RO 21,541 (₹ 3.910 million) [Previous year: RO 21,540 (₹ 3.585 million)] due to related parties and 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 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Opening balance	**1,29,032**	74,880	**21,477**	13,219
Provision made during the year	**67,301**	87,152	**11,709**	14,946
Written back to cost of works executed	**(10,000)**	(2,524)	**(1,740)**	(433)
Incurred and written off against provision during the year	**(1,20,184)**	(30,476)	**(20,910)**	(5,226)
Closing balance	**66,149**	1,29,032	**12,006**	21,477

13. CONTRACT LIABILITY

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Advances from customers	**14,82,028**	28,02,646	**2,68,988**	4,66,500
Disclosed as:				
Non-current contract liability	**—**	—	**—**	—
Current contract liability	**14,82,028**	28,02,646	**2,68,988**	4,66,500

14. REVENUE

		As at 31-12-2017		As at 31-12-`2017
	RO	RO	**₹ in '000s**	₹ in '000s
Contract revenue	**89,65,267**	1,04,22,032	**15,59,777**	17,87,274
Maintenance and service revenue	**3,75,818**	93,627	**65,385**	16,056
	93,41,085	1,05,15,659	**16,25,162**	18,03,330

14. REVENUE (contd.)

The Company generates revenue from the transfer of goods and services over a period of time. The Company undertakes electrical, heating, ventilating, air-conditioning and mechanical contracting works 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.

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Primary Geographical segment				
Sultanate of Oman	**93,41,085**	1,05,15,659	**16,25,162**	18,03,330
Time of revenue recognition				
At a point in time	**—**	—	**—**	—
Over a period of time	**93,41,085**	1,05,15,659	**16,25,162**	18,03,330

15. COST OF WORKS EXECUTED

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Materials consumed and related expenses	**45,46,449**	49,08,879	**7,90,991**	8,41,825
Wages and related expenses	**20,07,847**	29,52,064	**3,49,325**	5,06,249
Depreciation on property, plant and equipment	**45,849**	38,445	**7,977**	6,593
Subcontract costs	**10,69,235**	14,21,382	**1,86,026**	2,43,753
Provision for expenses during defect liability period made	**67,301**	87,152	**11,709**	14,946
Provision for expenses during defect liability period reversed	**(10,000)**	(2,524)	**(1,740)**	(433)
Other direct costs	**5,29,898**	6,73,520	**92,192**	1,15,502
Total A	**82,56,579**	1,00,78,918	**14,36,480**	17,28,435
Maintenance projects and service costs	**2,89,113**	52,417	**50,299**	8,988
Depreciation on property, plant and equipment	**5**	17	**1**	3
Total B	**2,89,118**	52,434	**50,300**	8,991
Total A+B	**85,45,697**	1,01,31,352	**14,86,780**	17,37,426

16. OTHER OPERATING INCOME

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Write back of allowances for expected credit losses	**4,24,601**	—	**73,872**	—
Miscellaneous income	**9**	1,865	**2**	320
	4,24,610	1,865	**73,874**	320

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

17. OTHER OPERATING EXPENSES

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Rent	**10,800**	10,800	**1,879**	1,852
Repairs and maintenance	**1,436**	2,402	**250**	412
Insurance	**1,338**	1,012	**233**	174
Electricity and water	**4,627**	2,170	**805**	372
Telephones, fax and postage	**13,374**	10,977	**2,327**	1,882
Travelling and conveyance	**13,258**	12,840	**2,307**	2,202
Tender charges	**4,625**	12,955	**805**	2,222
Vehicle expenses	**10,945**	7,979	**1,904**	1,368
Advertisement and business promotion expenses	**1,603**	—	**279**	—
Legal and professional charges	**19,409**	40,453	**3,377**	6,937
Entertainment expenses	**—**	1,250	**—**	214
Miscellaneous expenses	**16,435**	11,124	**2,858**	1,908
	97,850	1,13,962	**17,024**	19,543

18. FINANCE COSTS

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Guarantee commission expenses	**50,815**	—	**8,841**	—
Interest on bank borrowings	**9,328**	—	**1,623**	—
Bank charges	**3,783**	867	**658**	149
	63,926	867	**11,122**	149

19. EXCEPTIONAL ITEM

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Provision for contract receivables and contract assets (delays in certification – arising out of liquidation filing by a joint venture partner of main contractor)	**7,47,300**	—	**1,30,015**	—

Company has 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.

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 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 2018 are subject to agreement with the Taxation Authority.

20. TAXATION (contd.)

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

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Current tax				
Charge for the current year	**37,516**	15,455	**6,527**	2,650
Charge for the earlier years	**—**	—	**—**	—
Income tax expense	**37,516**	15,455	**6,527**	2,650

(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:

		2017		2017
	RO	RO	**₹ in '000s**	₹ in '000s
Tax on accounting net profit of RO 79,587 (₹ 13.847 million) [Previous year: loss of RO 2,06,437 (₹ 35.402 million)] at applicable tax rates	**11,938**	30,966	**2,077**	5,310
Add / Less tax effect of:				
Depreciation adjustment based on depreciation rates as per Income Tax Law	**733**	(492)	**128**	(84)
Provisions reversed (net of write offs and including provisions made) considered as deductible for income tax purposes	**(23,967)**	20,408	**(4,170)**	3,500
Expense not considered as deductible for income tax purpose	**407**	150	**71**	25
Previous years' tax loss brought forward	**—**	(35,577)	**—**	(6,101)
Write back of allowance for expected credit losses not considered as taxable income for income tax purpose	**(63,690)**	—	**(11,081)**	—
Exceptional item not considered as a deductible expense for income tax purposes	**1,12,095**	—	**19,502**	—
	37,516	15,455	**6,527**	2,650

21. RELATED PARTIES

The Company enters into transactions with parties that fall within the definition of a related party as contained in IAS 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

21. RELATED PARTIES (contd.)

The nature of significant related party transactions and the amounts involved are as follows :

	Member	**Ultimate parent and parent company**	**Other Related Parties**	**Total**	2017 Total	**Total**	2017 Total
	RO	**RO**	**RO**	**RO**	RO	**₹ in '000s**	₹ in '000s
Purchase of property, plant and equipment from	**—**	**—**	**250**	**250**	32,227	**43**	5,527
Purchases from	**—**	**1,61,348**	**56,137**	**2,17,485**	2,97,279	**37,838**	50,980
Expenses from	**26,271**	**57,869**	**79,261**	**1,63,401**	90,755	**28,429**	15,564
Expenses to	**—**	**—**	**7,657**	**7,657**	4,539	**1,332**	778
Subcontract costs	**—**	**—**	**1,33,644**	**1,33,644**	3,72,993	**23,251**	63,965
Materials transferred to	**—**	**—**	**—**	**—**	6,053	**—**	1,038

The Company provides funds to and receives funds from related parties as and when required as working capital facilities.

22. FINANCIAL INSTRUMENTS

Management of risk

The Management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed. The primary risks to which the business is exposed comprise credit, exchange rate, liquidity and interest rate risks.

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

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

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

Borrowing facilities are regularly reviewed to ensure that the Company obtains the best available pricing, terms and conditions on it borrowings.

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, 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.

22. FINANCIAL INSTRUMENTS (contd.)

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 2018, 88.36% (Previous year: 51.16%) of current assets was due from three (Previous year: two) contract debtors. As at year end 2018, other than above, 17.77% (Previous year: 12.18%) of contract receivables was due from one (Previous year: one) contract debtor. As at previous year end, 12.18% of amounts due from customers for contract works done was due from one contract debtor.

- **Credit Risk Exposures**

(i) As at the year end, contract receivables, retention and amounts due from customers for contract works done aggregating to RO 26,42,157 (₹ 479.551 million), including outstanding for more than one year of RO 5,24,875 (₹ 95.265 million), are due from Carillion Alawi L.L.C. whose foreign member company is under liquidation. 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 allowance for ECL is to be made against the same, as above dues are fully certified except for amount due from customer for contract works done of RO 21,029 (₹ 3.817 million) which will be fully certified in future. The Company does not expect any material impact on its profitability and financial position, since collections were received from Carillion Alawi L.L.C. on a regular basis till September 2018 and subsequently RO 50,000 (₹ 9.075 million) has been received in February 2019. A proposal addressed to settle outstanding amounts is in process of being signed with Carillion Alawi L.L.C., wherein Carillion Alawi L.L.C. is agreeing to assign the proceeds of its collection of its receivables to the Company in four installments.

(ii) Amounts due from customers for contract works agreegating RO 45,25,924 (₹ 821.455 million) [Previous year: RO 26,47,021 (₹ 440.597 million)] and total contract values considered as per cost to completion exercise includes unapproved positive variations for additional works aggregating to RO 3,15,692 (₹ 57.298 million) [Previous year: RO 6,24,868 (₹ 104.009 million)] including greater than one year of RO 1,85,032 (₹ 33.583 million) [Previous year: RO 91,375 (₹ 15.209 million)] which are in the process of being certified and approved by main contractor. Further, positive variations of RO 19,65,267 (₹ 356.696 million) and negative variations of RO 17,000 (₹ 3.086 million) are pending for approval by main contractor as these variations are due to re-measurement of contract works and are part of the main re-measurable contracts which will get certified progressively and upon completion of the contract. The Management of the Company is confident that the same will be certified in due course by main contractors.

(iii) Contract receivables includes certified receivable of RO 15,000 (₹ 2.723 million) [Previous year: RO 20,000 (₹ 3.329 million)] which is over 5 years old and RO 9,151 (₹ 1.661 million) which is over two years old.

(iv) As at the year end, uncertified contract receivable of RO 19,769 (₹ 3.588 million) is in the process of being certified by the main contractor.

(v) Deductions not accounted (Refer Note No. 23 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**

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 significant interest rate risks as other financial assets and financial liabilities are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

FINANCIAL INSTRUMENTS (/contd.)

- **Exchange Rate Risk**

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Rials Omani or UAE Dirhams / US Dollars to which the Rial Omani is fixed except for the following:

Contract payable	**Currency**		2017		2017
		RO	RO	**₹ in '000s**	₹ in '000s
Parent company	Euros	**42,955**	—	**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, contract assets, bank borrowings, contract and other payables and contract liability approximate their carrying amounts largely due to the short term maturities of these instruments.

(c) Liquidity Risk

The Company limits its liquidity risk by ensuring that adequate bank facilities are available to enable it to meet its obligations as and when they fall due for payment. The maturity analysis of the Company's financial liabilities as at the year end is given below:

	Less than 3 months	**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, 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**
Contract liability	**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**
As at 31st December, 2017						
Staff end-of-service gratuity	—	—	1,25,694	—	1,25,694	20,922
Bank borrowings	20,62,479	—	—	—	20,62,479	3,43,300
Contract and other payables	51,25,952	—	—	—	51,25,952	8,53,215
Contract liability	28,02,646	—	—	—	28,02,646	4,66,500
Current tax payable	17,084	—	—	—	17,084	2,844
	1,00,08,161	—	1,25,694	—	1,01,33,855	16,86,781

23. DEDUCTIONS NOT ACCOUNTED

			2017		2017
		RO	RO	**₹ in '000s**	₹ in '000s
(a)	Contra charges deducted by main contractor namely Carillion Alawi L.L.C.	**3,53,602**	2,24,190	**61,520**	38,446
	Contra charges accounted by the Company	**(1,03,935)**	(1,03,935)	**(18,083)**	(17,824)
	Contra charges reduced from contract value	**(2,10,000)**	—	**(36,536)**	—
	Contra charges against the Company not accounted	**39,667**	1,20,255	**6,901**	20,622

As at the year end, contra charges amounting to RO 39,667 (₹ 6.901 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 the 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.

23. DEDUCTIONS NOT ACCOUNTED (contd.)

(b) As at the year end, complaints and snags amounting to RO 2,12,250 (₹ 36.927 million) have been deducted by a main contractor (Carillion Alawi L.L.C.) from its payments to the Company, which have not been accounted by the Company. This amount is held by the main contractor and will be progressively released in line with fully and satisfactory complaints and snags completion. 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.

24. 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 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Not later than one year	**3,960**	4,200	**689**	720
Between one and five years	**15,840**	16,800	**2,756**	2,881
Later than five years	**—**	4,200	**—**	720
	19,800	25,200	**3,445**	4,321

25. CONTINGENT LIABILITIES

		As at 31-12-2017		As at 31-12-2017
	RO	RO	**₹ in '000s**	₹ in '000s
Acceptances	**2,88,285**	2,62,904	**50,156**	43,760
Banker's letter of guarantee	**37,52,575**	45,09,758	**6,52,873**	7,50,649
Banker's letters of credit	**6,53,208**	3,73,459	**1,13,645**	62,162
	46,94,068	51,46,121	**8,16,674**	8,56,571

Bank facilities are secured against securities and several restrictive and financial covenants mentioned in Note No. 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 **Jayant Balan**
K. Prabhakar
Rajeev Sharma

Muscat, 16th April, 2019

VOLTAS QATAR W.L.L.

Directors:
Anil George
K. Visweswaran
E. C. Prasad *(w.e.f. 7th June, 2018)*
A. R. Suresh Kumar *(w.e.f. 22nd April, 2019)*

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present the Seventh Annual Report and Accounts for the year ended 31st December, 2018.

2. In view of continuing economic embargo in Qatar, the Company did not pursue any new orders during the year under review. The Company has recorded lower turnover of Qatari Riyals (QR) 133.717 million for the year ended 31st December, 2018, as compared to QR 204.539 million in the previous year. However, Net Profit was higher at QR 38.152 million, as compared to QR 10.201 million in the previous year.

3. The Directors do not recommend any dividend for the year ended 31st December, 2018 (Previous year: Nil).

4. Mr. E. C. Prasad was appointed as Director of the Company with effect from 7th June, 2018, in place of Mr. B. G. Prabhuajgaonkar. Mr. A. R. Suresh Kumar was appointed as Director of the Company with effect from 22nd April, 2019, in place of Mr. Jayant Balan. The Directors placed on record their appreciation of the valuable contributions made by Mr. B. G. Prabhuajgaonkar and Mr. Jayant Balan 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

E. C. Prasad
Director

Doha, Qatar, 6th May, 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
VOLTAS QATAR W.L.L.

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, 2018, 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, 2018, 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, 6th May, 2019

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2018

	Notes	QR	As at 31-12-2017 QR	₹ in '000s	As at 31-12-2017 ₹ in '000s
ASSETS					
CURRENT ASSETS					
Cash and bank balances	5	**2,80,03,001**	2,95,63,008	**5,37,658**	5,20,605
Accounts receivable	6	**2,05,96,658**	1,92,27,920	**3,95,456**	3,38,604
Retentions receivable	7	**3,66,65,431**	3,06,60,176	**7,03,976**	5,39,926
Contract assets	8	**5,80,35,514**	10,33,52,161	**11,14,282**	18,20,032
Prepayments and other assets		**84,118**	2,27,943	**1,615**	4,014
Inventories	9	**—**	50,22,666	**—**	88,449
Deferred tax	20(c)	**20,78,251**	—	**39,902**	—
Advances and other receivables		**79,13,968**	2,27,77,932	**1,51,948**	4,01,119
Total current assets		**15,33,76,941**	21,08,31,806	**29,44,837**	37,12,749
NON-CURRENT ASSETS					
Retentions receivable	7	**2,84,88,030**	2,20,46,321	**5,46,970**	3,88,236
Plant and equipment	10	**1,74,853**	4,14,247	**3,357**	7,295
Intangible assets	11	**32,176**	41,944	**618**	739
Contract assets	8	**1,03,10,972**	—	**1,97,971**	—
Total non-current assets		**3,90,06,031**	2,25,02,512	**7,48,916**	3,96,270
Total assets		**19,23,82,972**	23,33,34,318	**36,93,753**	41,09,019
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Bank loans	12	**3,63,50,000**	2,64,04,239	**6,97,920**	4,64,979
Trade and other payables	13	**4,68,79,622**	9,40,34,645	**9,00,089**	16,55,950
Advances from customers		**4,10,75,173**	7,38,32,177	**7,88,643**	13,00,185
Due to related parties	14	**2,85,78,336**	97,02,905	**5,48,704**	1,70,868
Provision for anticipated losses		**1,18,450**	11,76,964	**2,274**	20,726
Income tax payable	20 (a)	**31,58,298**	9,51,033	**60,639**	16,748
Total current liabilities		**15,61,59,879**	20,61,01,963	**29,98,269**	36,29,456
NON-CURRENT LIABILITIES					
Employees' end-of-service benefits	15	**13,22,014**	16,82,541	**25,383**	29,630
Total liabilities		**15,74,81,893**	20,77,84,504	**30,23,652**	36,59,086
EQUITY					
Share capital	1	**10,00,000**	10,00,000	**19,200**	17,610
Legal reserve	16	**5,00,000**	5,00,000	**9,600**	8,806
Retained earnings		**3,34,01,079**	2,40,49,814	**6,41,301**	4,23,517
Total equity		**3,49,01,079**	2,55,49,814	**6,70,101**	4,49,933
Total liabilities and equity		**19,23,82,972**	23,33,34,318	**36,93,753**	41,09,019

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) = ₹ 19.20, being the exchange rate prevailing as on 31st December, 2018. Previous year figures have been converted @ 1 QR = ₹ 17.61, being the exchange rate prevailing as on 31st December, 2017.

Directors **K. Visweswaran**

Doha, 6th May, 2019 **E. C. Prasad**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Notes	QR	2017 QR	₹ in '000s	2017 ₹ in '000s
REVENUE		**13,37,16,780**	20,45,38,621	**24,61,726**	37,10,331
Cost of services and other direct costs	17	**(10,14,08,714)**	(19,49,06,381)	**(18,66,934)**	(35,35,602)
GROSS PROFIT		**3,23,08,066**	96,32,240	**5,94,792**	1,74,729
Other income	18	**1,30,13,307**	36,08,131	**2,39,575**	65,451
General and administrative expenses	19	**(12,27,585)**	(4,80,269)	**(22,600)**	(8,712)
Finance costs		**(15,57,732)**	(14,79,820)	**(28,678)**	(26,844)
PROFIT BEFORE INCOME TAX		**4,25,36,056**	1,12,80,282	**7,83,089**	2,04,624
Income tax	20 (b)	**(43,83,609)**	(10,78,821)	**(80,702)**	(19,570)
PROFIT FOR THE YEAR		**3,81,52,447**	1,02,01,461	**7,02,387**	1,85,054
Other comprehensive income		**—**	—	**—**	—
Total comprehensive income for the year		**3,81,52,447**	1,02,01,461	**7,02,387**	1,85,054

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

Note: The Statement of Profit or Loss has 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). Previous year figures have been converted into Indian Rupees @ 1 QR = ₹ 18.14, being the average of the exchange rates prevailing as on 31st December, 2016 (1 QR = ₹ 18.67) and as on 31st December, 2017 (1 QR = ₹ 17.61).

Directors **K. Visweswaran**

Doha, 6th May, 2019 **E. C. Prasad**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Share capital		**Legal reserve**		**Retained earnings**		**Total**	
	QR	**₹ in '000s**	**QR**	**₹ in '000s**	**QR**	**₹ in '000s**	**QR**	**₹ in '000s**
Balance at 1st January, 2017	10,00,000	18,670	5,00,000	9,335	1,38,48,353	2,58,549	1,53,48,353	2,86,554
Total comprehensive income for the year	—	—	—	—	1,02,01,461	1,85,054	1,02,01,461	1,85,054
Balance at 31st December, 2017	10,00,000	17,610	5,00,000	8,806	2,40,49,814	4,23,517	2,55,49,814	4,49,933
Cumulative effect of IFRS 9 - Contract assets	—	—	—	—	(3,18,94,995)	(5,61,671)	(3,18,94,995)	(5,61,671)
Cumulative effect of IFRS 9 – Deferred tax	–	–	—	–	30,93,813	54,482	30,93,813	54,482
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	7,02,386	3,81,52,447	7,02,386
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**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2018

		2017		2017
	QR	QR	**₹ in '000s**	₹ in '000s
OPERATING ACTIVITIES				
Profit before income tax	**4,25,36,056**	1,12,80,282	**7,83,089**	2,04,624
Adjustments for:				
Depreciation of plant and equipment	**2,04,787**	2,85,368	**3,770**	5,177
Amortisation of intangible assets	**9,767**	61,251	**180**	1,111
Profit on sale of plant and equipment (net)	**(42,138)**	(2,700)	**(776)**	(49)
Inventory written off	**—**	17,12,492	**—**	31,065
Provisions for employees' end-of-service benefits	**1,60,260**	6,66,186	**2,950**	12,085
Reversal of loss allowance – Contract assets	**(1,04,69,722)**	—	**(1,92,748)**	—
Provision for anticipated losses	**—**	1,53,229	**—**	2,780
Finance cost	**15,57,732**	14,79,820	**28,678**	26,844
	3,39,56,742	1,56,35,928	**6,25,143**	2,83,637
Movements in working capital:				
Accounts receivable	**(13,68,738)**	(96,61,305)	**(56,852)**	(1,59,995)
Gross amount due from customers for contract works	**1,35,80,402**	(3,99,75,497)	**96,114**	(6,36,789)
Retentions receivable	**(1,24,46,964)**	(94,83,120)	**(3,22,785)**	(1,21,181)
Due from related parties	**—**	760	**—**	14
Prepayments and other assets	**1,43,825**	1,58,665	**2,399**	3,204
Advances and other receivables	**1,48,63,964**	(1,80,66,957)	**2,49,771**	(3,13,165)
Inventories	**50,22,666**	99,65,564	**88,449**	1,91,381
Trade and other payables	**(4,72,84,598)**	1,96,95,880	**(7,58,349)**	2,68,045
Advances from customers	**(3,27,57,004)**	1,33,79,179	**(5,11,541)**	1,71,527
Due to related parties	**1,88,75,431**	30,40,125	**3,77,836**	46,474
Cash (used in) operations	**(74,14,274)**	(1,53,10,778)	**(1,42,354)**	(2,69,623)
Employees' end-of-service benefits paid	**(5,20,787)**	(2,90,908)	**(9,588)**	(5,277)
Income tax paid	**(11,60,780)**	(6,68,534)	**(21,370)**	(12,127)
Finance cost paid	**(14,28,158)**	(14,79,820)	**(26,292)**	(26,844)
Reversal of anticipated loss	**(10,58,514)**	—	**(19,487)**	—
Net cash used in operations	**(1,15,82,513)**	(1,77,50,040)	**(2,22,384)**	(3,12,578)
INVESTING ACTIVITIES				
Additions to plant and equipment	**(8,955)**	(2,31,771)	**(165)**	(4,204)
Additions to intangible assets	**—**	—	**—**	—
Proceeds from disposal of plant and equipment	**85,700**	3,286	**1,578**	60
Net cash generated from / (used in) investing activities	**76,745**	(2,28,485)	**1,474**	(4,024)
FINANCING ACTIVITIES				
Net movement in bank loans	**99,45,761**	33,13,983	**2,32,941**	33,884
Net cash generated from financing activities	**99,45,761**	33,13,983	**1,90,959**	58,359
Net decrease in cash and cash equivalents	**(15,60,007)**	(1,46,64,542)	**(17,053)**	(3,05,123)
Cash and cash equivalents at the beginning of the year	**2,95,63,008**	4,42,27,550	**5,20,605**	8,25,728
Cash and cash equivalents at the end of the year (Note 5)	**2,80,03,001**	2,95,63,008	**5,37,658**	5,20,605

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

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	9,792
Voltas Netherlands B.V.	97%	49%	4,90,000	9,408
	100%	**100%**	**10,00,000**	**19,200**

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 (IFRSs)

2.1 New and amended IFRSs Standards that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1st January, 2018, have been adopted in these financial statements.

The Company applies, for the first time, IFRS 9 Financial Instruments (as revised in July 2014) and IFRS 15 Revenue from contracts with customers and the related consequential amendments to other IFRSs that are effective for an annual period that begins on or after 1st January, 2018. The impact of the initial application of these IFRSs is disclosed as below:

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirement of the new standards.

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are mandatorily effective for an accounting period that begins on or after 1st January, 2018. Transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Company adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures about 2018.

Details of these IFRS 9 new requirements as well as their impact on the Company's financial statements are described below:

(a) Classification and measurement of financial assets

The Company has applied the requirements of IFRS 9 to instruments that have not been de-recognised as at 1st January, 2018, and has not applied the requirements to instruments that have already been de-recognised as at 1st January, 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Management of the Company reviewed and assessed the Company's existing financial assets as at 1st January, 2018, based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 had no impact on the Company's financial assets as regards their classification and measurement.

- Financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows at specified dates and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an Expected Credit Loss model (ECL) as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Accounts and retentions receivable;

(2) Contract assets; and

(3) Bank balances.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables in certain circumstances.

Based on Management assessment below, Management believes that there is no impact of IFRS 9 on prior year balances, hence transitional provisions are not required to be applied.

Items existing as at 1st January, 2018 that are subject to the impairment provisions of IFRS 9	Credit risk attributes at 1st January, 2018	Cumulative additional loss allowance recognised on 1st January, 2018
Bank balances	All bank balances are assessed to have low credit risk as they are held with reputable banks which are regulated by the Qatar Central Bank. Management has assessed the impact of ECL adjustment as immaterial.	No impairment recognised
Accounts and retentions receivable	The Company applies the simplified approach and recognises lifetime ECL for these assets.	No impairment recognised
Contract assets	The Company applies the simplified approach and recognises lifetime ECL for these assets.	QR 3,18,94,995 (₹ 561.671 million)

The additional credit loss allowance of QR 3,18,94,995 (₹ 561.671 million) as at 1st January, 2018 has been recognised against retained earnings, net of their related deferred tax impact of QR 30,93,813 (₹ 54.482 million), resulting in a net decrease in retained earnings of QR 2,88,01,182 (₹ 507.189 million). The additional loss allowance is charged against the respective asset.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Company's exposure to credit risk in the financial statements.

(c) Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

(d) Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1st January, 2018.

Sl. No	Financial assets and financial liabilities	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9 [Retained earning effect as at 1st January, 2018	New carrying amount under IFRS 9	New carrying amount under IFRS 9
				QR	QR	QR	₹ in '000s
1.	Accounts receivable	Loans and receivable	Financial assets at amortised cost	1,92,27,920	—	1,92,27,920	3,38,604
2.	Retentions receivable	Loans and receivable	Financial assets at amortised cost	5,27,06,497	—	5,27,06,497	9,28,161
3.	Contract assets	Loans and receivable	Financial assets at amortised cost	10,33,52,161	(3,18,94,995)	7,14,57,166	12,58,361
4.	Cash and bank balances	Loans and receivable	Financial assets at amortised cost	2,95,63,008	—	2,95,63,008	5,20,605
5.	Bank loans	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,64,04,239	—	2,64,04,239	4,64,979
6.	Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	9,40,34,645	—	9,40,34,645	16,55,950
7.	Due to related parties	Financial liabilities at amortised cost	Financial liabilities at amortised cost	97,02,905	—	97,02,905	1,70,868

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset.

The application of IFRS 9 has had no impact on the cash flows of the Company.

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Company applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is mandatorily effective for an accounting period that begins on or after 1st January, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Details of the new requirements as well as their impact on the Company's financial statements as described below.

The Company has applied IFRS 15 in accordance with the modified retrospective transitional approach with a cumulative effect of initially applying this standard as an adjustment to equity as permitted by IFRS 15.C3(b).

The Company's accounting policies for its revenue streams are disclosed in detail in Note 3 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company. Hence, the impact of application of IFRS 15 on statement of financial position and statement of profit or loss as at 1st January, 2018 and 31st December, 2018 is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

Furthermore, there is no impact on the closing line items in the statement of financial position and statement of profit or loss without adoption of IFRS 15, therefore, the Company has not disclosed the impact of changes without adoption of IFRS 15.

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, 2018, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may effect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	1st January, 2018
Amendment to IFRS 4 *Insurance Contracts:* Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1st January, 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: ● there is consideration that is denominated or priced in a foreign currency; ● the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and ● the prepayment asset or deferred income liability is non-monetary.	1st January, 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1st January, 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in Management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1st January, 2018

2.3 New and amended IFRS in issue but not yet effective and not early adopted

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 Leases General impact of application of IFRS 16 Leases IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting period beginning on or after 1st January, 2019. The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether the existing contracts contains lease. Accordingly, the definition of lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1st January, 2019.	1st January, 2019

2.3 New and revised IFRS in issue but not yet effective and not early adopted (contd.)

The Company will apply the definition of 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). Impact on Lessee Accounting *Operating leases* IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, as off-balance sheet items. On initial application of IFRS 16, for all leases the Company will: (a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position; (b) Estimate the incremental borrowing rate and use it to determine the present value of the future lease payments; (c) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and (d) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest expense (presented within operating activities) in the statement of cash flow. For short-term leases and leases of low-value assets, the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16. The Company plans to apply modified retrospective approach upon adoption of IFRS 16. In preparation for the first time application of IFRS 16, the Company has carried out an implementation project. The impact of applying the Standard is still under final assessment; however based on Management's initial assessment, the Company expects to have no major impact on initial application of IFRS 16 on the Company's financial statements.	
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at 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 consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at 1st January, 2021.	1st January, 2021
Amendments to IFRS 9 Prepayment Features with Negative Compensation 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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

2.3 New and amended IFRS in issue but not yet effective and not early adopted (contd.)

Annual improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangement, IAS 12 Income Taxes and IAS 23 Borrowing Costs.	1st January, 2019
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
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. All the amendments are effective for annual period beginning on or after 1st January, 2019 and generally require prospective application. Earlier application is permitted. Management of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.	1st January, 2019
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement.	1st January, 2019
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 and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
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' examination; ● 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

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, except for IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

However, Management have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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) Plant 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	15.00%
Machinery	15.00%
IT equipment	33.33%
Vehicles	20.00%

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

(e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. A gain or loss arising from de-recognition of an intangible asset, is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and recognised in the statement of profit or loss and other comprehensive income when the asset is de-recognised.

(f) Impairment of tangible and intangible assets

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

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(f) Impairment of tangible and intangible assets (contd.)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in 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 other 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 - Upon adoption of IFRS 9 – applicable from 1st January, 2018

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 of sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are measured subsequently in their entirety at amortised cost.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(i) Financial assets (contd.)

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on trade receivables, other receivables and amounts due from related parties. The amount of ECL 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 ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost, exchange differences are recognised in the statement of profit or loss.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Company employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(i) Financial assets (contd.)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower at 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 ECL 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 rate 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.

(j) Financial liabilities (contd.)

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.

(k) Financial instruments under IAS 39, applicable before 1st January, 2018

(i) Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loan and receivables, held to maturity investments and financial assets available for sale or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised and de-recognised on trade date where the purchase or sales of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or where appropriate, a shorter period to the net carrying amount on initial recognition.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and term deposits with original maturities of less than three months, net of bank overdraft, if any.

Accounts receivable

Accounts receivable are stated at original invoice amount net of provision for amounts estimated to be doubtful of recovery, if any. Provision for doubtful accounts is based on a detailed review by Management of the individual balances at the year-end.

(iii) Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off and changes in the carrying amount of the allowance account are recognised in the statement of profit or loss and other comprehensive income.

(iv) De-recognition of financial assets

The Company de-recognizes a financial asset only with the contractual rights to the cash flows from the asset expire; or 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.

(v) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(v) Financial liabilities and equity instruments (contd.)

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 the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and the payable is recognised in the statement of profit or loss and other comprehensive income.

(l) 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.

(m) 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.

(n) Revenue recognition - Upon adoption of IFRS 15 – applicable from 1st January, 2018

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 recognises 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts

(n) Revenue recognition - Upon adoption of IFRS 15 – applicable from 1st January, 2018 (contd.)

due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

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.

(o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax provisions as prescribed by the current applicable Qatar Income Tax Law.

Deferred tax

Deferred tax is recognised 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 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 recognised 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.

(p) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(a) Critical judgements (contd.)

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:

(i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

(ii) the Company's performance creates or enhances an assets that the customer controls as the asset is created or enhanced; or

(iii) 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.

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 PO 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

Revenue recognition under IAS 18, applicable before 1st January, 2018

In making its judgement, Management considered the detailed criteria for the recognition of revenue as set out in IAS 18, Revenue. Management has judged that during the year, revenue has only been recognized when the outcome of transactions involving the rendering of services can be estimated reliably. In making this judgement, Management has ensured that the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

(a) Critical judgements (contd.)

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 – Upon adoption of IFRS 9, applicable from 1st January, 2018

ECL are measured as an allowance equal to 12-months 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.

(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 21,39,09,947 (₹ 3,938.082 million) in compliance with the Company's policy with regard to scope changes, out of which QR 20,41,91,672 (₹ 3,759.169 million) were approved by the main contractor and client. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

(b) Estimates (contd.)

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, applicable from 1st January, 2018

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.

Impairment of accounts receivable, applicable before 1st January, 2018

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 or loss and other comprehensive income. 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.

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 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Cash on hand	**28,637**	48,918	**550**	862
Current account	**1,54,74,364**	2,95,14,090	**2,97,108**	5,19,743
Term deposit	**1,25,00,000**	—	**2,40,000**	—
	2,80,03,001	2,95,63,008	**5,37,658**	5,20,605

6. ACCOUNTS RECEIVABLE

		As at 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Accounts Receivable	**2,05,96,658**	1,92,27,920	**3,95,456**	3,38,604

The average credit period is 60 days. No interest is charged on the overdue receivables.

Ageing of accounts receivable as at the reporting date, are as follows:

			As at 31-12-2017		As at 31-12-2017
		QR	QR	**₹ in '000s**	₹ in '000s
(i)	Ageing of neither past due nor impaired (Less than 60 days)	**1,28,20,332**	1,33,13,364	**2,46,150**	2,34,449
(ii)	Ageing of past due but not impaired (61-360 days)	**27,35,715**	59,14,556	**52,526**	1,04,155
(ii)	Ageing of past due and impaired (More than 360 days)	**50,40,611**	—	**96,780**	—
		2,05,96,658	1,92,27,920	**3,95,456**	3,38,604

7. RETENTION RECEIVABLES

		As at 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Retention receivables	**6,51,53,461**	5,27,06,497	**12,50,946**	9,28,161
Less - Loss allowance	**—**	—	**—**	—
	6,51,53,461	5,27,06,497	**12,50,946**	9,28,161
Analysed as:				
Short term	**3,66,65,431**	3,06,60,176	**7,03,976**	5,39,926
Long term	**2,84,88,030**	2,20,46,321	**5,46,970**	3,88,236
	6,51,53,461	5,27,06,497	**12,50,946**	9,28,161

Retention receivables represent amounts retained by the customers ranging from 5% to 10% of billings and are collectible upon completion of contracts.

The Company measures the loss allowance for retention receivables at an amount equal to lifetime ECL using the simplified approach. The ECL 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 as assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off a retention receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, and when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In determining the recoverability of a retention 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. CONTRACT ASSETS

		As at 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Cost plus attributable profits less losses, if any	**97,89,39,754**	84,56,68,798	**1,87,95,644**	1,48,92,228
Less: Progress billings	**(88,91,67,995)**	(74,23,16,637)	**(1,70,72,026)**	(1,30,72,196)
	8,97,71,759	10,33,52,161	**17,23,618**	18,20,032
Loss allowance	**(2,14,25,273)**	—	**(4,11,365)**	—
	6,83,46,486	10,33,52,161	**13,12,253**	18,20,032
Classified as:				
Short term	**5,80,35,514**	10,33,52,161	**11,14,282**	18,20,032
Long term	**1,03,10,972**	—	**1,97,971**	—
Total	**6,83,46,486**	10,33,52,161	**13,12,253**	18,20,032

Movements in the provision for impairment loss on contract assets are as follows -

	QR	**₹ in '000s**
At 1st January, 2018	**—**	**—**
Adjustment upon application of IFRS 9	**3,18,94,995**	**5,61,671**
Balance at 1st January, 2018 - As restated	**3,18,94,995**	**5,61,671**
Loss allowance for the year	**(1,04,69,722)**	**(1,92,748)**
At 31st December, 2018	**2,14,25,273**	**4,11,365**

Amount relating to construction contracts are balances due from customers under construction contracts that arise when the Company receives payments from customers in line with series of performance – related milestones. The Company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

9. INVENTORIES

		As at 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Project material	**—**	**50,22,666**	**—**	88,449

Inventory written - off during the year amounted to QR Nil (₹ Nil) [2017: QR 17,12,492 (₹ 31.065 million)]

10. 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, 2017	6,20,650	11,588	9,04,761	16,892	3,98,425	7,439	2,41,271	4,505	21,65,107	40,424
Additions during the year	16,050	291	1,87,986	3,410	27,735	503	—	—	2,31,771	4,204
Disposals during the year	—	—	(11,874)	(215)	(4,186)	(76)	—	—	(16,060)	(291)
At 31st December, 2017	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**
Accumulated depreciation										
At 1st January, 2017	5,89,617	11,009	7,16,747	13,382	3,48,456	6,506	41,857	781	16,96,677	31,678
Charge for the year	9,121	165	1,96,819	3,570	39,546	717	39,882	723	2,85,368	5,175
Disposals during the year	—	—	(11,290)	(205)	(4,184)	(76)	—	—	(15,474)	(281)
At 31st December, 2017	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**
Carrying value										
At 31st December, 2018	**7,776**	**150**	**72,980**	**1,401**	**13,864**	**266**	**80,233**	**1,540**	**1,74,853**	**3,357**
At 31st December, 2017	37,962	668	1,78,597	3,145	38,156	672	1,59,532	2,810	4,14,247	7,295

11. INTANGIBLE ASSETS

		As at 31-12-2017		As at 31-12-2017
Software	**QR**	QR	**₹ in '000s**	₹ in '000s
Cost				
At 1st January	**643,518**	643,519	**11,332**	12,014
Additions during the year	**—**	—	**—**	—
At 31st December	**643,518**	643,519	**12,356**	11,332
Accumulated amortisation				
At 1st January	**601,575**	540,324	**10,593**	10,088
Charge for the year	**9,767**	61,251	**180**	1,111
At 31st December	**611,342**	601,575	**11,738**	10,593
Carrying value				
At 31st December	**32,176**	41,944	**618**	739

Amortisation of intangible assets is calculated using the straight-line method over the term of the project.

12. BANK LOANS

This represents short-term Murabaha facilities from a local bank at a profit rate of Libor + 1.6 % (2017: 6% - 7%) per annum, rolled over every 3 months. No collateral or liens are existing against these facilities.

13. TRADE AND OTHER PAYABLES

		As at 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Trade payables	**1,88,28,464**	6,55,76,018	**3,61,507**	11,54,794
Accruals and other liabilities	**1,48,77,521**	1,63,78,228	**2,85,649**	2,88,420
Retentions payable	**1,24,73,044**	1,12,06,032	**2,39,482**	1,97,338
Leave salary	**7,00,593**	8,74,367	**13,451**	15,398
	4,68,79,622	9,40,34,645	**9,00,089**	16,55,950

14. 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 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Hamad & Mohamad Al Futtaim	**55,14,929**	39,03,672	**1,05,886**	68,743
Voltas Limited – Qatar Branch	**2,19,22,735**	44,49,233	**4,20,917**	78,351
Voltas Netherlands B.V.	**9,90,974**	13,50,000	**19,027**	23,774
Voltas Limited – Head office	**1,49,698**	—	**2,874**	—
	2,85,78,336	97,02,905	**5,48,704**	1,70,868

(b) Related party transactions

		As at 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Purchases of raw materials	**1,31,793**	2,05,442	**2,426**	3,727
Manpower costs	**4,25,21,846**	2,37,27,001	**7,82,827**	4,30,408
General expenses	**87,88,883**	1,41,03,276	**1,61,803**	2,55,833

15. EMPLOYEES' END-OF-SERVICE BENEFITS

		As at 31-12-2017		As at 31-12-2017
	QR	QR	**₹ in '000s**	₹ in '000s
Balance at 1st January	**16,82,541**	13,07,263	**29,630**	24,407
Provided during the year	**1,60,260**	6,66,186	**2,950**	12,085
End-of-service benefits paid	**(5,20,787)**	(2,90,908)	**(9,588)**	(5,277)
Balance at 31st December	**13,22,014**	16,82,541	**25,383**	29,630

16. 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 above mentioned law.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

17. COST OF SERVICES AND OTHER DIRECT COSTS

		2017		2017
	QR	QR	**₹ in '000s**	₹ in '000s
Cost of materials	**6,23,62,234**	12,52,19,589	**11,48,088**	22,71,483
Manpower costs	**3,06,33,100**	5,35,64,139	**5,63,955**	9,71,653
Subcontract costs	**69,72,459**	1,12,11,223	**1,28,363**	2,03,372
Design charges	**—**	4,83,381	**—**	8,769
(Reversal)/Provision for anticipated losses	**(10,58,514)**	1,53,229	**(19,487)**	2,780
Inventory written off	**—**	17,12,492	**—**	31,065
Site office maintenance	**4,76,668**	4,79,298	**8,775**	8,694
Depreciation of plant and equipment (Note 10)	**2,04,787**	2,85,371	**3,770**	5,177
Printing and stationery	**3,10,743**	4,07,818	**5,721**	7,398
Amortisation of intangible assets (Note 11)	**9,767**	61,252	**180**	1,111
Transportation	**4,24,705**	1,96,362	**7,819**	3,562
Communication	**3,66,098**	4,03,762	**6,740**	7,324
Other direct costs	**7,06,667**	7,28,465	**13,010**	13,214
	10,14,08,714	19,49,06,381	**18,66,934**	35,35,602

18. OTHER INCOME

		2017		2017
	QR	QR	**₹ in '000s**	₹ in '000s
Reversal of Provision for impairment loss (Note 8)	**1,04,69,722**	—	**1,92,747**	—
Profit on sale of fixed asset	**42,138**	—	**776**	—
Back charge income	**7,28,551**	34,21,208	**13,413**	62,060
Scrap sales	**8,81,295**	1,86,923	**16,225**	3,391
Miscellaneous income	**8,91,601**	—	**16,414**	—
	1,30,13,307	36,08,131	**2,39,575**	65,451

19. GENERAL AND ADMINISTRATIVE EXPENSES

		2017		2017
	QR	QR	**₹ in '000s**	₹ in '000s
Services charges	**4,81,095**	2,75,000	**8,857**	4,989
Professional fees	**3,83,968**	1,51,350	**7,069**	2,745
Office rent	**—**	—	—	—
Registration and licenses	**1,01,902**	27,616	**1,876**	501
Vehicle maintenance	**40,017**	24,586	**737**	446
Miscellaneous expenses	**23,411**	1,717	**431**	31
Air passage and conveyance	**1,97,192**	—	**3,630**	—
	12,27,585	4,80,269	**22,600**	8,712

20. INCOME TAX

			2017		2017
		QR	QR	**₹ in '000s**	₹ in '000s
(a)	Profit for the year before income tax	**4,25,36,056**	1,12,80,282	**7,83,089**	2,04,624
	Adjustments for:				
	Depreciation charged in excess of income tax rates	**21,219**	41,667	**391**	756
	Reversal of provision for impairment loss on contract assets (Note 8)	**(1,04,69,722)**	—	**(1,92,748)**	—
	(Reversal) / provision for anticipated losses	**(10,58,514)**	1,53,229	**(19,487)**	2,780
	Gain disposal of plant and equipment	**(42,138)**	(2,700)	**(776)**	(49)
	Non-deductible expense and adjustments	**15,72,869**	(16,68,013)	**28,957**	(30,258)
	Taxable income	**3,25,59,770**	98,04,465	**5,99,425**	1,77,853
	Income tax expense at 10%	**32,55,977**	9,80,447	**59,943**	17,785
	Share in taxes of foreign partner at 97% to be paid to Income Tax Department (Note 1)	**31,58,298**	9,51,033	**58,144**	17,252

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:

			2017		2017
		QR	QR	**₹ in '000s**	₹ in '000s
(b)	Current income tax:				
	Current year tax expense	**31,58,298**	9,51,033	**58,144**	17,252
	Prior year income	**2,09,747**	1,27,788	**3,861**	2,318
	Deferred income tax:				
	Deferred tax adjustment	**10,15,764**	—	**18,697**	—
	Income tax expense reported in the statement of comprehensive income	**43,83,609**	10,78,821	**80,702**	19,570

(c) Deferred income tax

The tax effects of temporary differences that resulted in significant portions of the deferred tax assets as of 31st December, 2018 are as follows:

		2017		2017
	QR	QR	**₹ in '000s**	₹ in '000s
Deferred tax assets:				
Allowance for impairment of contract assets - upon application of IFRS 9	**2,14,25,273**	3,18,94,995	**4,11,365**	5,61,671
Effective tax rates	**10%**	10%	**10%**	10%
Tax effect	**21,42,527**	31,89,500	**41,137**	56,167
Share in tax of foreign partner at 97%	**20,78,251**	30,93,815	**39,902**	54,482

Movements in the deferred tax asset are as follows:

	QR	**₹ in '000s**
At 1st January, 2018		
Remeasurement of deferred tax - upon application of IFRS 9	3,93,815	54,482
Temporary differences for the year	(10,15,564)	(18,697)
At 31st December, 2018	**20,78,251**	**39,902**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2018 (contd.)

21. CONTINGENCIES

		2017		2017
	QR	QR	**₹ in '000s**	₹ in '000s
Performance bonds	**5,49,20,000**	8,30,23,700	**10,54,464**	14,62,047
Advance payment guarantees	**53,28,106**	2,00,30,256	**1,02,300**	3,52,733
Letters of credit	**75,14,926**	2,78,66,774	**1,44,287**	4,90,734

22. 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	5,16,12,781	2,58,06,392	4,95,483
Accounts receivable	3,18,09,106	1,59,04,552	3,05,367
Retentions receivable	4,14,07,676	2,07,03,838	3,97,514
Gross amount due from customer for contract work	7,99,93,915	3,99,96,958	7,67,942
Prepayments and other assets	39,082	19,541	375
Inventories	1,50,34,878	75,17,438	1,44,335
Advances paid	84,48,300	42,24,150	81,104
Total current assets	**22,83,45,738**	**11,41,72,869**	**21,92,120**
Non-current assets			
Retentions receivable	2,66,52,871	1,33,26,436	2,55,868
Plant and equipment	79,990	39,995	768
Intangible assets	64,352	32,176	618
Total non-current assets	**2,67,97,213**	**1,33,98,607**	**2,57,254**
Total assets	**25,51,42,951**	**12,75,71,476**	**24,49,374**
Current liabilities			
Trade and other payables	6,52,64,664	3,26,32,332	6,26,541
Due to related parties	(98,90,984)	(49,45,492)	(94,953)
Advance from a customer	4,94,13,185	2,47,06,593	4,74,367
Total liabilities	**10,47,86,865**	**5,23,93,433**	**10,05,955**
Retained earnings	15,03,56,086	7,51,78,043	14,43,419
Total liabilities and retained earnings	**25,51,42,951**	**12,75,71,476**	**24,49,374**
Statement of profit or loss			
Contract revenue	20,46,14,778	10,23,07,389	18,83,479
Contract cost	(14,00,83,358)	(7,00,41,679)	(12,89,467)

23. 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.

24. 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 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 and trade 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 - not 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 77,887 (₹ 1.495 million) [2017: QR 73,991 (₹ 1.303 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 regard repayment periods. 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.

24. FINANCIAL RISK MANAGEMENT (contd.)

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**

At 31st December, 2017

	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	6 - 7 %	2,64,04,239	—	—	—	2,64,04,239	4,64,979
Trade and other payables	—	9,40,34,645	—	—	—	9,40,34,645	16,55,950
Due to Related parties	—	97,02,905	—	—	—	97,02,905	1,70,868
		13,01,41,789	—	—	—	13,01,41,789	22,91,797

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 maximising the return to stakeholders.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital and retained earnings.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by Management of the Company and authorized for issue on 6th May, 2019.

Directors **K. Visweswaran**

Doha, 6th May, 2019 **E. C. Prasad**

VOLTAS NETHERLANDS B.V.

Directors :

Jayant Balan *(up to 23rd April, 2019)*
Anil George *(w.e.f 23rd April, 2019)*
Representative of TMF Management B.V.

DIRECTORS' REPORT

TO THE MEMBERS

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

2. The Company has reported profit of Euro 2.253 million for the year ended 31st March, 2019 as compared to loss of Euro 0.120 million in the previous year due to higher dividend income earned from participations.

3. The Directors had declared an interim dividend of Euro 2.000 million in August 2018 out of Retained Earnings. The Directors do not recommend any final dividend for the year ended 31st March, 2019. The interim dividend of Euro 2.000 million be treated as final dividend for the year ended 31st March, 2019 (Previous Year: Nil).

4. Mr. Anil George was appointed as Director on the Board of the Company with effect from 23rd April, 2019, in place of Mr. Jayant Balan. The Directors placed on record their appreciation of the valuable contribution made by Mr. Jayant Balan during his tenure on the Board.

5. M/s. PKF Wallast, Accountants & Business Advisers, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

Jayant Balan
Director

Amsterdam, 23rd April, 2019

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, 2019 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, 2019 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, 2019.
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, 2019, 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.

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.
17th April, 2019

PKF Wallast
Drs. E. Bakker RA

BALANCE SHEET AS AT 31ST MARCH, 2019

	Euro	As at 31-3-2018 Euro	₹ in '000s	As at 31-3-2018 ₹ in '000s
SOURCES OF FUNDS				
Share Capital	**6,18,729**	6,18,729	**48,069**	49,907
Reserves and Surplus	**68,74,520**	66,21,503	**5,34,081**	5,34,090
Total Shareholders' Funds	**74,93,249**	72,40,232	**5,82,150**	5,83,997
APPLICATION OF FUNDS				
Participations (at cost)				
Saudi Ensas Company for Engineering Services W.L.L.	**3,38,684**	3,38,684	**26,312**	27,318
Lalbuksh Voltas Engineering Services & Trading L.L.C.	**11,59,588**	11,59,588	**90,088**	93,532
Voltas Oman L.L.C.	**6,36,945**	6,36,945	**49,484**	51,376
Voltas Qatar W.L.L.	**1,01,056**	1,01,056	**7,851**	8,151
Universal Voltas L.L.C.	**37,63,260**	37,63,260	**2,92,368**	3,03,545
	59,99,533	59,99,533	**4,66,103**	4,83,922
Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L.	**(3,38,684)**	(3,38,684)	**(26,312)**	(27,318)
	56,60,849	56,60,849	**4,39,791**	4,56,604
CURRENT ASSETS, LOANS AND ADVANCES (NOMINAL VALUE)				
Receivables from participations	**—**	—	**—**	—
Trade receivables	**2,83,000**	3,45,000	**21,986**	27,827
Other receivables	**5,445**	5,264	**423**	425
Bank balances	**15,62,705**	12,49,325	**1,21,407**	1,00,771
Less: Current Liabilities	**(18,750)**	(20,206)	**(1,457)**	(1,630)
Net Current Assets	**18,32,400**	15,79,383	**1,42,359**	1,27,393
	74,93,249	72,40,232	**5,82,150**	5,83,997

Note: The Balance Sheet has been converted into Indian Rupees @ 1 Euro = ₹ 77.69 being the exchange rate prevailing as on 31st March, 2019. Previous year figures have been converted @ 1 Euro = ₹ 80.66 being the exchange rate prevailing as on 31st March, 2018.

Directors **Jayant Balan**

Amsterdam, 23rd April, 2019 **Representative of TMF Management B.V.**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2019

	Euro	2017-18 Euro	₹ in '000s	2017-18 ₹ in '000s
OTHER INCOME				
Dividend from participations	**22,89,636**	1,85,383	**1,81,293**	13,897
Fees Corporate Guarantee	**88,000**	3,45,000	**6,968**	25,861
	23,77,636	5,30,383	**1,88,261**	39,758
EXPENSES				
Operating and Administrative Expenses	**(2,31,208)**	(4,92,037)	**(18,307)**	(36,883)
Financial results	**1,06,589**	(1,58,317)	**8,440**	(11,867)
	(1,24,619)	(6,50,354)	**(9,867)**	(48,750)
Profit/(Loss)	**22,53,017**	(1,19,971)	**1,78,394**	(8,992)

Note: The Profit and Loss Account has 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). Previous year figures have been converted into Indian Rupees @ 1 Euro = ₹ 74.96 being the average of the exchange rates prevailing as on 31st March, 2017 (1 Euro = ₹ 69.26) and as on 31st March, 2018 (1 Euro = ₹ 80.66).

Directors **Jayant Balan**

Amsterdam, 23rd April, 2019 **Representative of TMF Management B.V.**

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.

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 cover the period 1st April, 2018 up to and including 31st March, 2019.

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	26,312
Lalbuksh Voltas Engineering Services & Trading L.L.C.	40	11,59,588	90,088
Voltas Oman L.L.C.	65	6,36,945	49,484
Voltas Qatar W.L.L.	49	1,01,056	7,851
Universal Voltas L.L.C.	49	37,63,260	2,92,368
Total acquisition cost		59,99,533	4,66,103
Less: Impairment -Saudi Ensas Company for Engineering Services W.L.L. due to negative net asset value		(3,38,684)	(26,312)
		56,60,849	4,39,791

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 (₹ 7,93,21,878).

The entire paid up share capital of the Company, consist of 13,635 shares of Euro 45.38 each, is held by Voltas Limited, Mumbai, India.

The capital has been transferred into Euro's in accordance with Article 178c, Book 2 of the Netherlands Civil Code.

Share Capital

	Euro	₹ in '000's
Balance as per 31st March, 2018	6,18,729	49,907
Movement	—	—
Balance as per 31st March, 2019	6,18,729	48,069

Reserves and Surplus

	Euro	₹ in '000s
Balance as per 31st March, 2018	66,21,503	5,34,090
Profit for the year ended 31st March, 2019	22,53,017	1,78,394
Dividend	(20,00,000)	(1,58,360)
Balance as per 31st March, 2019	68,74,520	5,34,081

Receivables from Participations

	Euro	₹ in '000s
Dividend to be received from Saudi Ensas Company for Engineering Services W.L.L.	43,068	3,346
Less: Provision on dividend receivable from Saudi Ensas Company for Engineering Services W.L.L.	(43,068)	(3,346)
Balance as per 31st March, 2019	—	—

Trade Receivables

	Euro	₹ in '000s
Invoices for corporate guarantee fees (Voltas Qatar W.L.L. and Voltas Oman L.L.C.)	2,83,000	21,986
Balance as per 31st March, 2019	2,83,000	21,986

Other Receivables

	Euro	₹ in '000s
Prepayments	5,445	423
Balance as per 31st March, 2019	5,445	423

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Bank Balances

	Euro	₹ in '000s
ABN Amro Bank EURO	2,31,116	17,955
ABN Amro Bank USD	12,20,429	94,815
ABN Amro Bank Deposit EURO	4	—
ABN Amro Bank Top Deposit EURO	1,11,156	8,637
Balance as per 31st March, 2019	15,62,705	1,21,407

Current Liabilities

	Euro	₹ in '000s
Audit, advisory and accounting costs	18,750	1,457
Balance as per 31st March, 2019	18,750	1,457

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 39.642 million) (₹ 3,079.79 million).

(ii) HSBC Bank Middle East Limited, Doha, Qatar on behalf of Voltas Qatar W.L.L. for QR 160.000 million (Euro 39.171 million) (₹ 3,043.19 million).

(iii) Citibank N.A., Doha, Qatar on behalf of Voltas Qatar W.L.L. for USD 11.000 million / QR 40.150 million (Euro 9.829 million) (₹ 763.62 million).

(iv) Bank Sohar S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 0.975 million (Euro 2.256 million) (₹ 175.27 million).

(v) National Bank of Oman S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 4.550 million (Euro 10.528 million) (₹ 817.92 million).

(vi) HSBC Bank Oman S.A.O.G., Muscat, Oman on behalf of Voltas Oman L.L.C. for RO 6.500 million (Euro 15.040 million) (₹ 1,168.46 million).

(vii) HSBC Bank Oman S.A.O.G., Muscat, Oman on behalf of Lalbuksh Voltas Engineering Services & Trading L.L.C. for RO 2.000 million (Euro 4.628 million) (₹ 359.55 million).

The aforesaid Corporate Guarantees were issued by Voltas Netherlands B.V., as Shareholder in the respective entities.

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.

Dividends from participations

	Euro	₹ in '000s
Lalbuksh Voltas Engineering Services & Trading L.L.C. (RO 1,40,000)	2,97,407	23,548
Universal Voltas L.L.C. (AED 85,75,000)	19,92,229	1,57,745
	22,89,636	1,81,293

Fees Corporate Guarantee

	Euro	₹ in '000s
Fees Corporate Guarantee (Voltas Qatar W.L.L.)	60,902	4,822
Fees Corporate Guarantee (Voltas Oman L.L.C.)	27,098	2,146
	88,000	6,968

The Company did not have any employees during 2018-2019 (2017-2018: Nil).

Operating and Administrative Expenses

	Euro	₹ in '000s
Fees Corporate Guarantee (Voltas Limited)	88,000	6,968
Management costs	63,332	5,015
Audit and advisory expenses	75,616	5,987
Legal fees	4,245	336
Other costs	15	1
	2,31,208	18,307

Financial Results

	Euro	₹ in '000s
Bank cost	2,630	208
Exchange rate differences	(1,09,219)	(8,648)
	(1,06,589)	(8,440)

Directors **Jayant Balan**

Amsterdam, 23rd April, 2019 **Representative of TMF Management B.V.**

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