

Minda Automotive Solutions Limited

Statutory Audit for the year ended

31 March 2018

# B S R & Co. LLP

Chartered Accountants

Building No.10, 8th Floor, Tower-B  
DLF Cyber City, Phase - II  
Gurugram - 122 002, India

Telephone: + 91 124 719 1000  
Fax: + 91 124 235 8613

## INDEPENDENT AUDITOR'S REPORT

To The Members of **MINDA AUTOMOTIVE SOLUTIONS LIMITED**

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

We have audited the accompanying Ind AS Financial Statements of Minda Automotive Solutions Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information (hereinafter referred to as "Ind AS Financial Statements").

### Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS Financial Statements that give a true and fair view of the state of affairs, profit (including other comprehensive income), changes in equity and cash flows 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.

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 judgments 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.

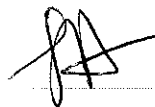
In preparing the Ind AS Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company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

### Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS Financial Statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS Financial Statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS Financial Statements.

We are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Ind AS Financial Statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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.

### **Opinion**

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 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 31 March 2018 and its profits (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

### **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 "Annexure A", 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, the Statement of Cash Flows and the 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 Indian Accounting Standards prescribed under Section 133 of the Act;
  - e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

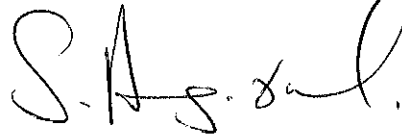


- f) With respect to the adequacy of the internal financial controls with reference to Ind AS Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- g) With respect to the other matters to be included in the Auditor's 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 has disclosed the impact of pending litigations on its financial position in its Ind AS Financial Statements - Refer Note 38 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; and
  - iv. The disclosures in the Ind AS Financial Statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited financial statements for the year ended 31 March 2017 have been disclosed. - Refer Note 10 to the Ind AS Financial Statements.

*For BSR & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W / W-100022



**Shashank Agarwal**

*Partner*


Membership number: 095109

Place: Gurugram

Date: 21 May 2018

**Annexure A referred to in our Independent Auditor's Report to the members of Minda Automotive Solutions Limited on the Ind AS Financial Statements for the year ended 31 March 2018**

- (i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (property, plant and equipment).
- (b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets (property, plant and equipment) by which all fixed assets (property, plant and equipment) are verified in a phased manner over a period of two years. According to that programme, the Company has during the year physically verified certain assets. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed during physical verification of fixed assets (property, plant and equipment).
- (c) According to the information and explanations given to us and on the basis our examination of the records of the Company, there is no immovable properties held in the name of the Company.
- (ii) According to the information and explanations given to us, the inventories, except goods in transit have been physically verified by the management at the year end. In our opinion, the frequency of such verification is reasonable. As informed to us, the discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of accounts.
- (iii) The Company had granted unsecured loans to certain companies/parties covered in the register required under section 189 of the Companies Act, 2013. In our opinion and according to information and explanations given to us:
  - a) the terms and conditions of the grant of such loans are not prejudicial to the Company's interest;
  - b) the schedule of repayment of principal and payment of interest has been stipulated. The borrowers are regular in repayment of principal and payment of interest.
  - c) there is no amount overdue for more than 90 days in respect of above mentioned loans.
- (iv) According to information and explanations given to us and on the basis of our examination of records, we are of the opinion that the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments and guarantees given by the Company. There are no securities provided by the Company as specified under section 185 and 186 of the Act.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public. Accordingly, the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and rules framed thereunder, are not applicable.
- (vi) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under sub section (1) of Section 148 of the Act for any activities performed by the Company.



- (vii)(a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Service Tax, Goods and Services Tax (GST), cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Duty of Excise and Duty of Customs.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value Added Tax, Service tax, Goods and Services Tax, Cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Value Added Tax, Service tax and Cess which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below:

Name of the Statute	Nature of dues	Amount (Rs.) * (In Rs. Lakhs)	Amounts paid (Rs.) (In Rs. Lakhs)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax, 1956	Sales Tax	11.69	2.70	2011-2012	Assistant Commissioner
Central Sales Tax, 1956	Sales Tax	1.40	-	2015-2016	Deputy Commissioner

\*amount as per demand orders, including interest and penalty, wherever indicted in the said orders

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any borrowings from financial institutions, debenture holders and government during the year.
- (ix) According to the information and explanations given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and the term loans taken by the Company have been applied for the purpose for which they were raised.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.



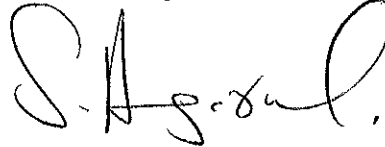
**B S R & Co. LLP**

- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Ind AS financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934.

*For B S R & Co. LLP*

*Chartered Accountants*

ICAI Firm Registration No: 101248W/W-100022



**Shashank Agarwal**

*Partner*

Membership No. 095109

Place: Gurugram  
Date: 21 May 2018

**Annexure B to the Independent Auditor's Report of even date on the Ind AS financial statements of Minda Automotive Solutions Limited for the year ended 31 March 2018**

**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 with reference to Ind AS financial statements of Minda Automotive Solutions Limited ("the Company") as of 31 March 2018 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 with reference to Ind AS financial statements 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 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 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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 with reference to Ind AS 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls with reference to Ind AS financial statements included obtaining an understanding of internal financial controls with reference to Ind AS 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 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 Company's internal financial controls system with reference to Ind AS financial statements.





**Meaning of Internal Financial Controls with reference to Ind AS financial statements**

A company's internal financial control with reference to Ind AS financial statements 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 with reference to Ind AS 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 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 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 Ind AS financial statements.

**Inherent Limitations of Internal Financial Controls with reference to Ind AS financial statements**

Because of the inherent limitations of internal financial controls with reference to Ind AS 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 with reference to Ind AS financial statements 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.

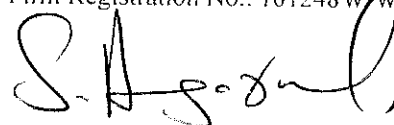
**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to Ind AS financial statements and such internal financial controls with reference to Ind AS financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to Ind AS financial statements 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 B S R & Co. LLP*

*Chartered Accountants*

Firm Registration No.: 101248W/W-100022



**Shashank Agarwal**

*Partner*

Membership No.: 095109

Place: Gurugram  
Date: 21 May 2018

Minda Automotive Solutions Limited  
Balance Sheet as at March 31, 2018

	Note	As at March 31, 2018	As at March 31, 2017	(Rs. in million) As at April 1, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2	20		19
Intangible assets	3		16	
Financial assets		6	5	3
i. Loans				
ii. Other financial assets	4	2	2	1
Income tax assets (net)	5	1	1	1
Deferred tax assets (net)	6	3	10	11
<b>Total non-current assets</b>	7	<u>11</u>	<u>8</u>	<u>7</u>
		<b>43</b>	<b>42</b>	<b>42</b>
<b>Current assets</b>				
Inventories				
Financial assets	8	324	227	184
i. Trade receivables				
ii. Cash and cash equivalents	9	396	298	292
iii. Loans	10	58	77	32
iv. Other financial assets	11	22	-	2
Other current assets	12	-	-	-
<b>Total current assets</b>	13	<u>14</u>	<u>2</u>	<u>10</u>
		<b>814</b>	<b>604</b>	<b>520</b>
<b>TOTAL ASSETS</b>		<u><b>857</b></u>	<u><b>646</b></u>	<u><b>562</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	14	3	3	3
Other equity	15	150	128	88
<b>Total equity</b>		<u>153</u>	<u>131</u>	<u>91</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
<b>Financial liabilities</b>				
i. Borrowings	16	-	-	-
Provisions	17	-	-	-
Other non-current liabilities	18	16	15	17
<b>Total Non-current liabilities</b>		<u>27</u>	<u>25</u>	<u>17</u>
		<b>43</b>	<b>40</b>	<b>39</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
i. Trade payables	19	624	425	382
ii. Other financial liabilities	20	11	9	15
Other current liabilities	21	18	40	52
Provisions	22	5	1	1
Current tax liabilities (net)	23	3	-	2
<b>Total current liabilities</b>		<u>661</u>	<u>475</u>	<u>432</u>
		<b>857</b>	<b>646</b>	<b>562</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>857</b></u>	<u><b>646</b></u>	<u><b>562</b></u>

**Significant accounting policies**

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

Firm registration number: 101248W / W-100021

Shashank Agarwal  
Partner

Membership No.: 095109

Place: Gurgaon  
Date: 21 May 2018

For and on behalf of the Board of Directors Minda Automotive Solutions Limited

RAKESH JINSI  
Director

Place: Delhi  
Date: 21 May 2018

SUMIT DOSEJA  
Director

Place: Delhi  
Date: 21 May 2018

Minda Automotive Solutions Limited  
Statement of Profit and Loss for the year ended March 31, 2018

(Rs. in million)

	Note	As at March 31, 2018	As at March 31, 2017
<b>Income</b>			
Revenue from operations	24	2,800	2,533
Other Income	25	4	3
<b>Total Income</b>		<b>2,804</b>	<b>2,536</b>
<b>Expenses</b>			
Purchase of stock in trade	27	2,462	2,199
Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	(91)	(39)
Employee benefit expense	29	138	132
Finance costs	30	2	2
Depreciation and amortisation expense	31	10	9
Other expenses	32	197	173
<b>Total expenses</b>		<b>2,718</b>	<b>2,476</b>
<b>Profit before tax</b>		<b>86</b>	<b>60</b>
<b>Tax expense</b>			
- Current tax		31	18
- Taxes for earlier years		3	-
- Deferred tax credit		(2)	-
<b>Profit for the year</b>		<b>54</b>	<b>42</b>
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified subsequent to profit &amp; loss</b>			
Remeasurement loss of defined benefit obligation.		(3)	(3)
Income tax relating to items that will not be reclassified to profit and loss		1	1
<b>Other comprehensive income for the year</b>		<b>(2)</b>	<b>(2)</b>
<b>Total comprehensive income for the year</b>		<b>52</b>	<b>40</b>
<b>Basic and diluted earnings per equity share [nominal value of share Rs. 10 (previous year Rs. 10)]</b>	33	<b>194.22</b>	<b>149.70</b>

Significant accounting policies

1

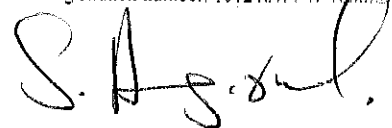
The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants

Firm registration number: 101248W / W-1111122



Shashank Agarwal

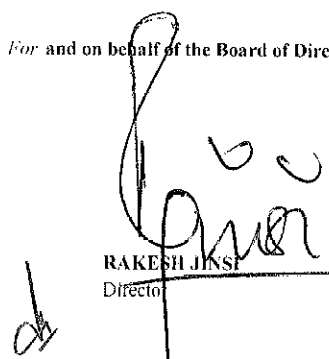
Partner

Membership No.: 095109

Place: Gurugram

Date: 21 May 2018

For and on behalf of the Board of Directors Minda Automotive Solutions Limited

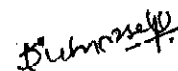


RAKESH JINS

Director

Place: Delhi

Date: 21 May 2018



SUMIT DOSEJA

Director

Place: Delhi

Date: 21 May 2018

Minda Automotive Solutions Limited  
Statement of Changes in Equity for the year ended March 31, 2018

A. Equity share capital

Particulars	(Rs. in million) Amount
Balance as at April 1, 2016	3
Changes in equity share capital during the year ended March 31, 2017	-
Balance as at March 31, 2017	3
Changes in equity share capital during the year ended March 31, 2018	-
Balance as at March 31, 2018	3

B. Other equity

Particulars	Other equity				Total
	Capital reserve	General reserve	Retained earnings	Items of Other Comprehensive Income Remeasurement of defined benefit obligations	
Balance as at April 1, 2016 (refer note 15)					
Profit for the year	1	13	74	-	88
Other comprehensive income (net of tax)	-	-	42	-	42
Total comprehensive income for the year	-	-	42	(2)	(2)
Amount transferred from ESOP during the year	-	-	42	(2)	40
Balance as at March 31, 2017	1	13	116	(2)	128
As at April 1 2017	1	13	116	(2)	128
Profit for the year	1	13	116	(2)	128
IndAs Adjustments	-	-	54	-	54
Other comprehensive income (net of tax)	-	-	-	(2)	(2)
Total comprehensive income for the year	-	-	54	(2)	52
Amount transferred from ESOP during the year	-	-	-	(2)	(2)
Transactions with owners, recorded directly in equity	-	-	(251)	-	(251)
Dividend paid*	-	-	(5)	-	(5)
Dividend distribution tax paid*	-	-	140	(4)	150
Balance as at March 31, 2018	1	13	140	(4)	150

\* During the year ended 31 March 2017, the Company has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.

Notes:

(i) Refer note -15 for nature and purpose of other equity.  
The note referred to above form an integral part of the financial statements

As per our report of even date attached

For BSR & Co. LLP  
Chartered Accountants  
Firm registration number: 101248W/W-1009222  
Shashank Agatwal  
Partner  
Membership No.: 095109

*S. Agatwal*

For and on behalf of the Board of Directors Minda Automotive Solutions Limited

RAHESH JINSI  
Dir.

*Rahesh Jinshi*

SUNIL DOSEJA  
Director

*Sunil Doseja*

Place: Gurugram  
Date: 21 May 2018

Place: Delhi  
Date: 21 May 2018

Place: Delhi  
Date: 21 May 2018

**Minda Automotive Solutions Limited**  
**Cash flow Statement for the year ended March 31, 2018**

(Rs. in million)

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>A. Cash flow from operating activities</b>		
Net profit before taxation	86	60
Adjustments for:		
Depreciation and amortisation expense	10	9
Provision for doubtful trade receivables	-	-
Interest expense	2	2
Loss on sale / discard of fixed assets	-	-
Bad debts	-	-
Foreign exchange differences	-	-
Unwinding of discount on non-current retention money	-	-
Interest income	(4)	(3)
<b>Operating profit before working capital changes</b>	<b>94</b>	<b>68</b>
Adjustments for:		
Increase in trade receivables	(99)	(7)
Increase in inventories	(97)	(43)
(Increase) / Decrease in loans	(22)	2
(Increase) / Decrease in financial assets	-	(1)
(Increase) / Decrease in other assets	(11)	8
Increase / (Decrease) in other non current liabilities	2	3
Increase / (Decrease) in other financial liabilities	1	(6)
Increase / (Decrease) in other current liabilities	(22)	8
Increase in trade payables	199	43
Increase in provisions	5	(2)
<b>Cash generated from operations</b>	<b>50</b>	<b>73</b>
Income tax paid	(25)	(20)
<b>Net cash generated from operating activities (A)</b>	<b>25</b>	<b>53</b>
<b>B. Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(17)	(10)
Sale of fixed assets	2	2
Investment in fixed deposits	-	-
Interest received	3	2
<b>Net cash generated / (used in) investing activities (B)</b>	<b>(12)</b>	<b>(6)</b>
<b>C. Cash flows from financing activities</b>		
Payment of dividend	(25)	-
Dividend distribution tax	(5)	-
Repayment of term loan	-	-
Interest paid on income taxes	-	-
Interest paid	(2)	(2)
<b>Net cash (used in) financing activities (C)</b>	<b>(32)</b>	<b>(2)</b>
<b>Net decrease in cash and cash equivalents (A + B + C)</b>	<b>(19)</b>	<b>45</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>77</b>	<b>32</b>
<b>Cash and cash equivalents at the end of the year<sup>^</sup></b>	<b>58</b>	<b>77</b>

<sup>^</sup> includes Rs. 513,000 (31 March 2017, Rs Nil) not available for use by the Company.

Reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities.

Particulars	Non-current borrowings	Current borrowings
Opening balance as at 1 April 2017	-	-
Cash flows during the year	-	-
Non-cash changes	-	-
<b>Closing balance as at 31 March 2018</b>	<b>-</b>	<b>-</b>

**Notes to Cash Flow Statement:**

1. The Statement of Cash Flow has been prepared in accordance with 'Indirect method' as set out in the Ind AS-7 on 'Statements of Cash Flow' as specified in the section 133 of the Companies Act 2013 read with relevant rules issued thereunder.

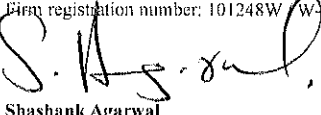
2. Amendment to Ind AS 7: Effective 1 April 2017, the Company adopted the amendment to Ind AS 7, which require the entities to provide disclosures that enable users of these financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

3. Cash and cash equivalents consists of cash in hand and balances with scheduled banks. Refer note 17

The accompanying notes from 1 to 37 form an integral part of the financial statements

As per our report of even date attached

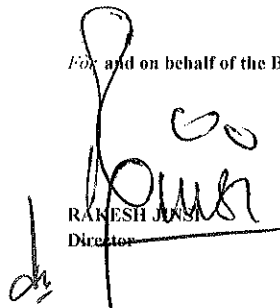
For **BSR & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022



**Shashank Agarwal**  
Partner  
Membership No.: 095109

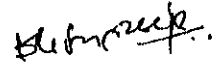
Place: Gurugram  
Date: 21 May 2018

For and on behalf of the Board of Directors of Minda Automotive solutions Limited



**RAMESH JAIS**  
Director

Place: Delhi  
Date: 21 May 2018



**SUMIT DOSEJA**  
Director

Place: Delhi  
Date: 21 May 2018

## **Minda Automotive Solutions Limited**

### **Notes to the financial statements for the year ended 31 March 2018**

#### **1. Reporting entity**

Minda Automotive Solutions Limited (the 'Company') is a company domiciled in India, with its registered office situated at A-15, Phase -1 Ashok Vihar, Delhi - 110052. The Company is primarily involved in trading of Automobile Components and Parts thereof.

#### **2. Significant accounting policies**

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

##### **A. Basis of preparation**

###### **(i) Statement of compliance**

The Ind AS financial statements ("financial statements") have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013, (the 'Act'), Companies (Indian Accounting Standards) (Amendment) Rules, 2016 and other relevant provisions of the Act.

For all the periods up to and including 31 March 2017, the financial statements were prepared in accordance with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Act ("Previous GAAP"). The financial statements for the year ended 31 March 2018 are the Company's first financial statements prepared in accordance with Ind AS 101, First time adoption of Indian Accounting standards has been applied. An explanation of how the transition to Ind AS has effected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 42

The financial statements were authorized for issue by the Company's Board of Directors on 21 May 2018.

###### **(ii) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities measured at fair value. The methods used to measure fair values are disclosed further in notes to financial statements.

###### **(iii) Functional and presentation currency**

The management has determined the currency of the primary economic environment in which the Company operates i.e., functional currency, to be Indian Rupees (Rs.). All financial information presented in Indian Rupees, except as stated otherwise.

###### **(iv) Use of estimates and judgement**

In preparation of these financial statements, management has made judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized prospectively.

## **Minda Automotive Solutions Limited**

### **Notes to the financial statements for the year ended 31 March 2018**

#### **Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- leases: whether an arrangement contains a lease – point vii (a)
- lease classification

#### **Assumptions and estimation uncertainties**

- Recognition and estimation of tax expense including deferred tax – Note 40
- Assessment of useful life of property, plant and equipment and intangible asset – Note 2, 3
- Estimation of obligations relating to employee benefits: key actuarial assumptions – Note 41
- Valuation of Inventories – Note 8
- Recognition and measurement of provisions and contingency: Key assumption about the likelihood and magnitude of an outflow of resources – Note 38
- Fair value measurement – Note 42

#### **(v) Measurement of fair values**

A number of accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Also, fair value of financial instruments measured at amortised cost is disclosed in Note 42.

#### **B. Current-non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

##### **Assets:**

An asset is treated as current when it satisfies any of the following criteria:

- (1) It is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- (2) It is held primarily for the purpose of being traded;
- (3) It is expected to be realised within 12 months after the reporting date; or
- (4) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability



**Minda Automotive Solutions Limited**

**Notes to the financial statements for the year ended 31 March 2018**

for at least 12 months after the reporting date.

The Company classifies all other assets as non-current.

**Liabilities:**

A liability is classified as current when it satisfies any of the following criteria:

- (1) It is expected to be settled in the Company's normal operating cycle;
- (2) It is held primarily for the purpose of being traded;
- (3) It is due to be settled within 12 months after the reporting date; or
- (4) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

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

**C. Summary of significant accounting policies**

**i) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The following specific recognition criterion must also be met before revenue is recognized:

**Sale of goods**

Sales include sale of traded goods. Revenue is recognized on transfer of significant risks and rewards of ownership to the customers and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of products as well as regarding its collection. Sale of goods is net of Goods and Services Tax, Sales Tax, Value Added Tax, applicable discounts and allowances and sales returns, if any.

**Other operating income**

Service income includes after sales services of goods sold to original equipment manufacturer and is recognised as per the terms of the contracts with the customer

**Interest Income**

For all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in the statement of profit and loss.

**Minda Automotive Solutions Limited**

**Notes to the financial statements for the year ended 31 March 2018**

**ii) Property, plant and equipment**

**(a) Recognition and measurement**

Item of property, plant and equipment are carried at cost of acquisition or construction less accumulated depreciation. Cost comprises the purchase price and any cost attributable for bringing the asset to its working condition for its intended use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Advance paid towards the acquisition of fixed assets are shown under non-current asset and tangible fixed assets under construction are disclosed as capital work-in-progress.

**(b) Transition to Ind AS**

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognized as at April 1, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

**(c) Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. The costs of the day to day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

**(d) Derecognition**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the statement of profit and loss.

**(e) Depreciation**

Depreciation on property, plant and equipment is provided on the straight-line method at the rates reflective of the estimated useful life of the assets estimated by the management.

Depreciation on addition to property plant and equipment is provided on pro-rata basis from the date the assets are ready to use.

Depreciation on sale/deduction from property, plant and equipment is provided upto the date of sale.

**iii) Intangible Asset**

**a) Recognition and measurement**

Intangible assets comprises computer software and is recorded at the consideration paid for acquisition of such assets are carried at cost less accumulated amortization and accumulated impairment, if any.

**b) Transition to Ind AS**

## **Minda Automotive Solutions Limited**

### **Notes to the financial statements for the year ended 31 March 2018**

On transition to Ind AS, the Company has elected to continue with the carrying value of all its intangible assets recognized as at April 1, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

#### **c) Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

#### **(d) Derecognition**

Gains and losses on disposal of an item of intangible assets are determined by comparing the proceeds from disposal with the carrying amount of intangible assets and are recognized in the statement of profit and loss.

#### **(e) Amortisation**

The intangible assets are amortised over the period of five years, which in the management's view represent the economic useful life. Amortisation expense is charged on a pro-rata basis for assets purchased during the year. The amortization period and the amortization method for an intangible asset are reviewed at the end of each reporting period.

#### **iv) Inventories**

Inventories are valued at lower of cost and net realizable value. The basis of determination of cost for various categories of inventory is as follows:

Stock in trade and Packing Material : Cost is determined on First in First Out basis

#### **v) Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment considering the provisions of Ind AS 36 'Impairment of Assets'. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

## **Minda Automotive Solutions Limited**

### **Notes to the financial statements for the year ended 31 March 2018**

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **vi) Employee Benefits**

##### **Short – term employee benefits**

All employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc., are recognized in the standalone statement of profit and loss in the period in which the employee renders the related service.

##### **Defined contribution plan:**

**Provident fund:** Eligible employees of the Indian entities receive benefits from the provident fund, which is a defined contribution plan. Both the employees and the Indian entity make monthly contributions to the provident fund (with Regional Provident Fund Commissioner) equal to specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

Eligible employees of certain overseas entities receive benefits from the social security contribution plans, which is a defined contribution plan. These entities have no further obligations under the plan beyond its monthly contributions.

##### **Defined benefit plan:**

**Gratuity:** The Indian entities provide for gratuity, a defined benefit retirement Plan (the "Gratuity Plan") covering eligible employees. The Plan provides payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company. Liabilities related to the Gratuity Plan are determined by actuarial valuation as at the balance sheet date.

##### **Other long term employee benefit:**

**Compensated absence:** Un-availed leaves for the year are accumulated and allowed to be carried over to the next year and are within service period of the employees in accordance with the service rules of the Company. Provision for compensated absence is made by the Indian entities based on the amount payable as per the above service, based on actuarial valuation as at the balance sheet date.

##### **Other employee benefit plans:**

##### **Actuarial valuation:**

The liability in respect of all defined benefit plans and other long term employee benefit is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary primarily using the Projected Unit Credit Method, which recognizes each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows.

The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Standalone Statement of profit and loss. Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs.

## **Minda Automotive Solutions Limited**

### **Notes to the financial statements for the year ended 31 March 2018**

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in 'other equity' in the standalone statement of Changes in Equity and in the standalone Balance Sheet.

#### **vii) Leases**

Leases are classified as finance leases whenever the terms of the lease, transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### **a) Determining whether an arrangement contains a lease**

For arrangements entered into prior to 1 April 2016, the Company has determined whether the arrangement contains lease on the basis of facts and circumstances existing on the date of transition.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the incremental borrowing rate.

##### **Where the Company is lessee**

Assets taken on lease by the Company in the capacity of a lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalized at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognized as operating leases. Lease rentals under operating leases are recognized in the statement of profit and loss on a straight line basis.

##### **Where the Company is lessor**

Leases in which the Company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as a receivable at an amount equal to the net investments in the lease.

After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs etc, are recognized immediately in the statement of profit and loss.

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on operating lease is recognized in the statement of profit and loss on a straight line basis over the lease term. Costs including depreciation are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs etc, are recognized immediately in the statement of profit and loss.

## **Minda Automotive Solutions Limited**

### **Notes to the financial statements for the year ended 31 March 2018**

#### **viii) Income taxes**

Income tax expense comprises current and deferred tax. It is recognised in statement of profit and loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

##### **(a) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

##### **(b) Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss at the time of the transaction;
- Temporary differences related to freehold land to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets (DTA) include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

**Minda Automotive Solutions Limited**

**Notes to the financial statements for the year ended 31 March 2018**

**ix) Earnings per Share**

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

**x) Provisions, contingent liabilities and contingent assets**

A provision is created when there is a present obligation as a result of a past event and it is more likely than not that there will be an outflow of resources embodying economic benefits to settle such obligation and the amount of such obligation can be reliably estimated. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value money and risks specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance cost. These are reviewed at each Balance Sheet date and adjusted to reflect current management estimates.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Company. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

The Company does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, subsequently, if it becomes virtually certain that an inflow of economic benefits will arise, asset and related income is recognized in the financial statements of the period in which the change occurs.

**xi) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits with banks with original maturity of three months or less, which are subject to an insignificant risk of changes in value.

**xii) 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.

**1.1 Financial assets**

**Initial recognition and measurement**

All financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets are initially measured 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.

## **Classification and subsequent measurement**

### **Classification**

For the purpose of subsequent measurement, the Company classifies financial assets in following categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

### **Debt instruments at amortized cost**

A 'debt instrument' is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- i) The financial asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- ii) The contractual terms of the financial 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 amortized cost using the effective interest rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement profit and loss. The losses arising from impairment are recognized in the statement profit and loss. This category generally applies to trade and other receivables.

### **Debt instrument at FVTOCI (Fair Value through OCI)**

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

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

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the OCI. However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of the statement profit and loss. On de-recognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to the statement profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.



