

To
Board of Directors
Wockhardt Limited
Mumbai

AUDIT REPORT on Financial Statements of
Wockhardt Europe Limited, British Virgin Islands
for the year ended March 31, 2021

Wockhardt Europe Limited is direct subsidiary company of Wockhardt Limited, India. Wockhardt Europe Limited is incorporated in British Virgin Islands.

This report is furnished, at the request of the management of Wockhardt Limited, solely for the purpose of meeting with the requirements of consolidation of the accompanying financial statements of Wockhardt Europe Limited with the financial statements of Wockhardt Limited, the ultimate Holding Company. The financial statements dealt with by this report comprise the Balance Sheet as at March 31, 2021 and Statement of Profit & Loss for the year ended on that date.

Accordingly, as aforesaid, at the request of the management of Wockhardt Limited, we furnish this report on the accompanying financial statements of Wockhardt Europe Limited.

These financial statements are the responsibility of the management of Wockhardt Europe Limited and Wockhardt Limited. And these have been prepared on the basis of accounts maintained by Wockhardt Europe Limited outside India.


Our responsibility is to express an opinion on these financial statements solely for the purpose of their consolidation as aforesaid with the financial statements of Wockhardt Limited.

We have conducted our audit of the financial statements on the basis of accounting returns received from the office of Wockhardt Europe Limited (not visited by us) and information and explanations furnished and on the basis of such checks as were considered appropriate, and in the light of generally accepted accounting principles prevalent in India and in the light of materiality.

Based on our audit in the manner aforesaid and the fact that we have conducted our audit on the basis of accounting returns received from Wockhardt Europe Limited whose office has not been visited by us, and to the best of our information and according to the explanations given to us, we are of the opinion that the financial statements give a true and fair view:

- (a) in the case of the balance sheet, of the state of affairs of Wockhardt Europe Limited as at March 31, 2021; and
- (b) in the case of the statement of profit and loss account, of the loss for the year then ended.

For J.L. Thakkar & Co.
Firm Regn No. 110898W
Chartered Accountants



J.L. Thakkar – M.No.032318
Proprietor



Mumbai / 21st April, 2021

UDIN: 21032318AAAAIM9332


WOCKHARDT EUROPE LIMITED
BALANCE SHEET AS AT MARCH 31, 2021
(All amounts in Sterling Pounds unless otherwise stated)

	Notes	As at 31.03.2021	As at 31.03.2020
ASSETS			
NON-CURRENT ASSETS			
Financial assets:			
Investment in subsidiaries	3	45,592	45,592
		<u>45,592</u>	<u>45,592</u>
CURRENT ASSETS			
Financial assets:			
Cash and cash equivalents	4	15,313	18,263
Loan given	5	922,075	922,075
Other Current Financial assets	6	7,901	7,901
		<u>945,289</u>	<u>948,239</u>
TOTAL		<u>990,881</u>	<u>993,831</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	1,307,368	1,307,368
Other Equity	8	(316,487)	(315,248)
		<u>990,881</u>	<u>992,120</u>
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities			
Payable for expenses	9	-	1,711
TOTAL		<u>990,881</u>	<u>993,831</u>

Significant accounting policies 2
The accompanying notes form an integral part of these Financial Statements.

As per our attached report of even date


For J.L. Thakkar & Co.
Chartered Accountants
Firm's Registration No: 110898W


J.L. Thakkar
Proprietor
Membership No: 32318
Place : Mumbai
Date: April 21, 2021



For and on behalf of the Board of directors
Wockhardt Europe Limited


Ajay Sahni
Director
Place: Zug

DocuSigned by:

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Ravindra Limaye
Director
Place: Wrexham


WOCKHARDT EUROPE LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021
 (All amounts in Sterling Pounds unless otherwise stated)

	Notes	For the year ended 31.03.2021	For the year ended 31.03.2020
Other income- Miscellaneous income		1,712	-
INCOME		1,712	-
EXPENSES			
Audit Fees		-	2,050
Legal and Professional fees		2,925	3,825
Bank charges		25	89
Foreign Exchange (Gain)/Loss		-	-
		2,950	5,964
NET PROFIT/(LOSS)FOR THE YEAR BEFORE TAX		(1,238)	(5,964)
Taxation:			
Current tax		-	-
Deferred tax		-	-
		-	-
NET PROFIT/(LOSS)FOR THE YEAR AFTER TAX		(1,238)	(5,964)
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		(1,238)	(5,964)
Earning per Ordinary shares of £1 each, fully paid-up			
Basic in Sterling pounds	10	(0.001)	(0.005)
Diluted in Sterling pounds	10	(0.001)	(0.005)

Significant accounting policies 2
 The accompanying notes form an integral part of these Financial Statements.

As per our attached report of even date

For J.L. Thakkar & Co.
 Chartered Accountants
 Firm's Registration No: 110898W


J.L. Thakkar
 Proprietor
 Membership No: 32318
 Place : Mumbai
 Date: April 21, 2021



For and on behalf of the Board of directors
 Wockhardt Europe Limited


Ajay Sahul
 Director
 Place: Zug

DocuSigned by:

Ravindra Limaye
 Director
 Place: Wrexham

WOCKHARDT EUROPE LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021
 (All amounts in Sterling Pounds unless otherwise stated)

Ordinary Share Capital

01-Apr-19	Changes in equity share capital during the year	31-Mar-20	Changes in equity share capital during the year	31-Mar-21
1,307,368	-	1,307,368	-	1,307,368

Other equity


	Reserves and Surplus		Total
	Capital reserve	Retained earnings	
Balance as on April 1, 2019	1,564,519	(1,873,803)	(309,284)
Profit/(Loss) for the year	-	(5,964)	(5,964)
Other Comprehensive income for the year	-	-	-
Balance as on March 31, 2020	1,564,519	(1,879,767)	(315,248)
Profit/(Loss) for the year	-	(1,238)	(1,238)
Other Comprehensive income for the year	-	-	-
Total comprehensive Income	-	(1,238)	(1,238)
Balance as on March 31, 2021	1,564,519	(1,881,006)	(316,486)

Nature and purpose of reserves**Capital Reserve:**

The reserve comprises of amounts created on buyback of its own shares.

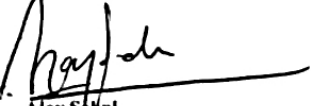
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For J.L. Thakkar & Co.
Chartered Accountants
Firm's Registration No: 110898W


J.L. Thakkar
Proprietor
Membership No: 32318
Place : Mumbai
Date: April 21, 2021



For and on behalf of the Board of directors
Wockhardt Europe Limited


Ajay Sahni
Director
Place: Zug

DocuSigned by:


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Ravindra Limaye
Director
Place: Wrexham

WOCKHARDT EUROPE LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021
 (All amounts in Sterling Pounds unless otherwise stated)

	For the year ended 31.03.2021	For the year ended 31.03.2020
A. Cash flows from operating activities		
Net profit/(loss) before tax	(1,238)	(5,964)
Adjustments for:		
Operating profit before Working Capital changes	<u>(1,238)</u>	<u>(5,964)</u>
Movement in working capital:		
(Increase)/Decrease in Loans and advances and other assets	-	(7,901)
Increase /(Decrease) in Current liabilities and provisions	<u>(1,712)</u>	<u>(2,152)</u>
Cash Generated/(used in) from Operations	<u>(2,950)</u>	<u>(16,017)</u>
Taxes paid	-	-
Net cash from/(used in) Operating Activities	<u>(2,950)</u>	<u>(16,017)</u>
B. Cash flows from Investing Activities		
Interest Received	-	-
Loan given to Companies repaid back	-	-
Net cash from Investing activities	<u>-</u>	<u>-</u>
C. Cash flows from Financing Activities		
Net increase/(decrease) in cash and cash equivalents	<u>(2,950)</u>	<u>(16,017)</u>
Cash and Cash Equivalents at beginning of year	<u>18,263</u>	<u>34,280</u>
Cash and Cash Equivalents at end of year	<u>15,313</u>	<u>18,263</u>
Components of cash and cash equivalents		
With banks - in current account	<u>15,313</u>	<u>18,263</u>
	<u>15,313</u>	<u>18,263</u>

As per our attached report of even date

For J.L. Thakkar & Co.
 Chartered Accountants
 Firm's Registration No: 110898W

sbh
J.L. Thakkar
 Proprietor
 Place : Mumbai
 Date: April 21, 2021



For and on behalf of the Board of directors
 Wockhardt Europe Limited

Ajay Sahni
Ajay Sahni
 Director
 Place: Zug

DocuSigned by:
Ravi Limaye
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Ravindra Limaye
 Director
 Place: Wrexham

WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

	As at 31.03.2021	As at 31.03.2020
3 Investments in unquoted Equity shares		
Subsidiaries- at cost		
1,500,000 (Previous year - 1,500,000) equity shares of Wockhardt Nigeria Limited of 10 Naira each fully paid-up (including 1 share held in the name of the nominee of the Company)	45,592	45,592
Others- at FVTPL		
87,023 (Previous year - 87,023) equity shares of Wockhardt Farmaceutica Do Brazil Ltda of Brazilian Ria 1 each fully paid-up	14,898	14,898
Less: Diminution in investment	(14,898)	(14,898)
	<u>-</u>	<u>-</u>
TOTAL	<u>45,592</u>	<u>45,592</u>
Aggregate book value of unquoted investments	<u>45,592</u>	<u>45,592</u>
4 Cash and Cash equivalents		
Balances with Banks		
On current account	<u>15,313</u>	<u>18,263</u>
TOTAL	<u>15,313</u>	<u>18,263</u>
5 Loan given - Current		
Loan to fellow subsidiary, Unsecured considered good	<u>922,075</u>	<u>922,075</u>
	<u>922,075</u>	<u>922,075</u>
6 Other current financial assets		
Receivables	<u>7,901</u>	<u>7,901</u>
	<u>7,901</u>	<u>7,901</u>



WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

	As at 31.03.2021	As at 31.03.2020
7 Share Capital		
Authorised Share Capital		
20,000,000 Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Issued, subscribed and fully paid		
1,307,368 (Previous Year - 1,307,368) Ordinary shares of £1 each, fully paid-up	<u>1,307,368</u>	<u>1,307,368</u>
<p>The above 1,307,368 (Previous year - 1,307,368) equity shares are held by Wockhardt Limited, the Holding Company including two fully paid shares of par value held in the name of the nominees of the Company.</p>		
8 Other Equity		
Capital Reserve	1,564,519	1,564,519
Retained Earnings:		
Opening balance	(1,879,767)	(1,873,803)
Add: Net profit for current year	(1,238)	(5,964)
Closing balance	<u>(1,881,006)</u>	<u>(1,879,767)</u>
TOTAL	<u>(316,487)</u>	<u>(315,248)</u>
9 Current Financial Liabilities		
Accrued Liabilities	-	1,711
TOTAL	<u>-</u>	<u>1,711</u>



WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

	For the year ended 31.03.2021	For the year ended 31.03.2020
10 Earnings per share		
The calculations of Earnings per share (EPS) (basic and diluted) are based on the earnings and number of shares as computed below:		-
Reconciliation of earnings		
Profit after tax	(1,238)	(5,964)
Net Profit/(loss) for calculation of basic/diluted EPS	<u>(1,238)</u>	<u>(5,964)</u>
Reconciliation of number of shares		
Weighted average number of shares in calculating Basic EPS	1,307,368	1,307,368
Weighted average number of shares in calculating diluted EPS	1,307,368	1,307,368
Ordinary shares of £1 each, fully paid-up		
Basic in Sterling pounds	(0.001)	(0.005)
Diluted in Sterling pounds	(0.001)	(0.005)



WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

11 RELATED PARTY DISCLOSURES (as per Ind AS 24)

a) **Holding company**
Wockhardt Limited

b) **Fellow subsidiary**
Wockhardt Bio AG
Wockhardt UK Limited

c) **Subsidiary**
Wockhardt Nigeria Limited

d) **Key Managerial personnel**
Ajay Sahni
Ravindra Limaye

e) **Transactions during the year (All the amounts mentioned below are the contractual amounts based on arrangements with the respective parties)**
Loan repaid by Wockhardt Bio AG

	For the year ended	For the year ended
	31.03.2021	31.03.2020

	As at	As at
	31.03.2021	31.03.2020

f) **Related Party Balances**

(All the amounts mentioned below are the contractual amounts based on arrangements with the respective parties. Where such amounts are different from carrying amount as per Ind AS Financial Statement, their carrying amounts have been disclosed additionally)

Receivable from Fellow Subsidiary - Wockhardt Bio AG

Contractual amount

922,075	922,075
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Carrying amount

922,075	922,075
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WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

12 FINANCIAL INSTRUMENTS - FAIR VALUES

A. Accounting classification and fair values

Carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are presented below. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

March 31, 2021	Carrying amount				Total Fair value
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Total
Financial Assets					
Loans given			922,075	922,075	922,075
Cash and cash equivalents			15,313	15,313	15,313
Total	-	-	945,289	945,289	945,289
Financial Liabilities					
Accrued Liabilities			-	-	-
Total	-	-	-	-	-

March 31, 2021	Fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial Assets				
Loans given	-	-	-	-
Cash and cash equivalents	-	-	-	-
Other current financial assets	-	-	-	-
Total	-	-	-	-
Financial Liabilities				
Accrued Liabilities	-	-	-	-
Total	-	-	-	-



WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
 (All amounts are of Sterling Pounds unless otherwise stated)

March 31, 2020	Carrying amount				Total Fair value
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Total
Financial Assets					
Loans given	-	-	922,075	922,075	922,075
Cash and cash equivalents	-	-	18,263	18,263	18,263
Total	-	-	948,239	948,239	948,239
Financial Liabilities					
Accrued Liabilities	-	-	1,711	1,711	1,711
Total	-	-	1,711	1,711	1,711

March 31, 2020	Fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial Assets				
Loans given	-	-	-	-
Cash and cash equivalents	-	-	-	-
Total	-	-	-	-
Financial Liabilities				
Accrued Liabilities	-	-	-	-
Total	-	-	-	-



WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

12 FINANCIAL INSTRUMENTS - FAIR VALUES (continued...)

Measurement of fair values:

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

The fair values of the loan given is estimated by discounting cash flows using rates currently available for debt/instruments on similar terms, credit risks and remaining maturities. Management regularly assesses a range of reasonably possible alternatives for those significant observable inputs and determines their impact on the total fair value.

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Loans given	Discounted cash flows: The valuation model considers the present value of expected receipt discounted using appropriate discounting rates.



WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

12 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks arising from financial instruments:

- Liquidity risk ; and
- Credit risk ;
- Market risk

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment

L Liquidity risk

The following tables detail the remaining contractual maturities at the end of the reporting period of the Company, which are based on contractual and undiscounted cash flows and the earliest date the Company can be required to pay. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

March 31, 2021	<i>Contractual cash flows</i>					
	Book values	Total cash flows	Upto 1 year	1-3 years	3-5 years	More than 5 years
Non-derivative financial liabilities						
Other financial liabilities						
Accrued liabilities	-	-	-	-	-	-
	-	-	-	-	-	-



WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

i. Liquidity risk (continued...)

March 31, 2020	<i>Contractual cash flows</i>					
	Book values	Total	Upto 1 year	1-3 years	3-5 years	More than 5 years
Non-derivative financial liabilities						
Other financial liabilities						
Accrued liabilities	1,711	1,711	1,711	-	-	-
	1,711	1,711	1,711	-	-	-

ii. Credit risk

Credit risk encompasses the direct risk of default, the risk of deterioration of creditworthiness as well as concentration risks. It principally arises from deposits with banks and loans and receivables. The Company does not have any trade receivables. Loans given mainly comprise of loan given to fellow subsidiary. The Company perceives negligible risk in the recoverability of the loan.

iii. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks- interest rate risk, currency price risk and other price risk, such as equity price risk and commodity risk. The Company does not have any significant currency price risks, interest rate risks or other price risks.

13 Capital Management

The Company's capital management is intended to create value for shareholders by facilitating the meeting of long-term and short-term goals of the Company. The Company determines the amount of capital required on the basis of annual and long-term strategic plans. The Company's policy is aimed at combination of short-term and long-term borrowings. The Company presently has no borrowings.

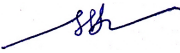


WOCKHARDT EUROPE LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021
(All amounts are of Sterling Pounds unless otherwise stated)

- 14 Contingent liabilities as on March 31, 2021 is Nil (Previous year - Rs. Nil)
- 15 There are no significant subsequent events that would require adjustments or disclosures in the financial statements as on the balance sheet date.
- 16 Previous year figures have been regrouped where necessary to conform to current year's classification.

As per our attached report of even date

For J.L. Thakkar & Co.
Chartered Accountants
Firm's Registration No: 110898W




J.L. Thakkar
Proprietor
Membership No: 32318
Place : Mumbai
Date: April 21, 2021



For and on behalf of the Board of directors
Wockhardt Europe Limited



Ajay Sahni
Director
Place: Zug

DocuSigned by:

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Ravindra Limaye
Director
Place: Wrexham

WOCKHARDT EUROPE LIMITED
NOTES TO ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2021

(All amounts in Sterling Pounds, unless otherwise stated)

1. Background

Wockhardt Europe Limited ('WEL' or 'Company') is a subsidiary of Wockhardt Limited. WEL is a non-resident Company registered in British Virgin Islands under the BVI Business Companies Act, 2004.

2. Summary of significant accounting policies

Basis of preparation

The Financial Statements have been prepared in accordance with the Indian Accounting Standards (Ind AS)

The format and content of these financial statements has been prepared solely for the purpose of consolidation into financial statements of Wockhardt Limited, the holding company and accordingly, have been prepared to comply with the requirements of IndAS to facilitate the aforesaid consolidation.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the Financial Statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/ materialize.

Estimates and assumptions are required in particular for:

- Financial instruments;

Day 1 gain/loss on initial measurement:

The Company has given interest free loan to one of its fellow subsidiary. The fair value of this loan at initial measurement is computed as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument (similar as to currency, term, type of interest rate, credit risk and other factors). The difference between the fair value and transaction amount at initial measurement has been recorded as day 1 loss in retained earnings, as the fair value has been computed based on valuation techniques, which uses data from observable markets. Significant judgement is involved in assessing whether all the data used for valuation has been derived from observable markets and it has been determined that use of certain unobservable data (minor adjustments to observable data to match the term, interest rate, credit risk and other factors of loan) in these valuations are insignificant to the entire day 1 loss. Accordingly, the entire day 1 loss on initial measurement has been recognized upfront (to retained earnings) and not deferred.

The significant accounting policies are as follows:

(a) Property, Plant and Equipment, and Depreciation

I. Recognition and Measurement:



Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs 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.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Income and expenses related to the incidental operations, not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognised in Statement of Profit and Loss. 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.

II. *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(b) Foreign currency transactions/Translations

- i) Transactions in foreign currencies are translated to the reporting currency at exchange rates at the dates of the transactions.
- ii) Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the reporting currency at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
- iii) Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the Statement of Profit and Loss in the period in which they arise.

(c) Financial Instruments

I. Financial assets

(i) Classification of financial assets

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Debt instruments at amortised cost:

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



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

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 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 and other receivables.

Debt instruments at fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the EIR method.

Debt instruments measured at fair value through profit and loss (FVTPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Equity investments:

Investment in subsidiaries, associates and joint ventures are measured at cost.

All other equity investments which are in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVTOCI) or FVTPL. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

For equity instruments classified as FVTOCI, all fair value changes on the instrument, excluding dividends, are recognized in other comprehensive income (OCI). There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of such investments.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Derivative financial instruments:

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities



when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to Statement of Profit and Loss.

(ii) Initial recognition and measurement

All financial assets are recognised initially at fair value and for those instruments that are not subsequently measured at FVTPL, plus/minus transaction costs that are attributable to the acquisition of the financial assets.

Trade receivables are carried at original invoice price as the sales arrangements do not contain any significant financing component. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(iii) Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired, 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.

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

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

(iv) Impairment of financial assets

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

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, and bank balance.
- b) Trade receivables.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component.



The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analysed.

II. Financial Liabilities and equity instruments:

Debt and equity instruments issued by the 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.

(i) 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 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.

(ii) Financial liabilities: - Classification:

Financial liabilities are classified as either 'at FVTPL' or 'other financial liabilities'. FVTPL liabilities consist of derivative financial instruments, wherein the gains/losses arising from remeasurement of these instruments is recognised in the Statement of Profit and Loss. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

(iii) Initial recognition and measurement:

All financial liabilities are recognised initially at fair value and for those instruments that are not subsequently measured at FVTPL, plus/minus transaction costs that are attributable to issue of these instruments.

(iv) 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.

III. Fair value:

The Company determines the fair value of its financial instruments on the basis of the following hierarchy:

Level 1: The fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange-traded commodity derivatives and



other financial assets such as investments in equity and debt securities which are listed in a recognized stock exchange.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows using a risk-free interest rate.

Level 3: The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs).

IV. Accounting for day 1 differences:

If the fair value of the financial asset at initial recognition differs from the transaction price, this difference if it is not consideration for goods or services or a deemed capital contribution or deemed distribution, is accounted as follows:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) or based on a valuation technique that uses only data from observable market, the entire day 1 gain/loss is recorded immediately in the Statement of Profit and Loss; or
- in all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the deferred difference is recorded as gain or loss in the Statement of Profit and Loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability

In case the difference represents:

- (i) deemed capital contribution - it is recorded to recorded as an Investment in Subsidiary,
- (ii) deemed distribution - It is recorded in equity
- (iii) deemed consideration for goods and services - it is recorded as an asset or a liability. This amount is amortized/accredited to the Statement of Profit and Loss as per the substance of the arrangement (generally straight-line basis over the duration of the arrangement)

V. Embedded derivatives

If the hybrid contract contains a host that is a financial asset within the scope Ind-AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows.

VI. Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.



VII. 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.

(d) **Revenue recognition**

Sale of goods

Revenue is recognized when significant control is transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, sales tax/Goods and Service Tax and applicable trade discounts and allowances, chargebacks and rebates. Revenue includes shipping and handling costs billed to the customer. The timing of the transfer of control varies depending on the individual terms of the sales agreements.

Sale of Services

Revenues from services is recognized in accordance with the terms of the relevant agreement(s) as generally accepted and agreed with the customers, and when control transfers to such customers and the Company's performance obligations are satisfied.

Interest Income

Interest income is recognised with reference to the Effective Interest Rate method. Dividend from investments is recognised as revenue when right to receive is established.

(e) **Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed in the Notes. Contingent liabilities are disclosed for (1) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (2) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements as this may result in the recognition of income that may never be realised.

(f) **Taxes**

As per current law, there is no income tax payable by the Company in British Virgin Islands. Hence the Computation of current tax and deferred tax is not applicable to the Company.



(g) Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for the events for bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on conversion of all dilutive potential equity shares.

(h) Cash Flow statement

Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard (IndAS 7) - "Cash Flow Statements".

(i) 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 followed by its holding company.

