KIRLOSKAR BROTHERS INTERNATIONAL B.V.

CONSOLIDATED FINANCIAL STATEMENTS

17th May 2017

Kirloskar Brothers International B.V.
Consolidated Balance Sheet as at 31 December 2016
(Amounts In Euro)

Particulars	Notes	31 December 2016	31 December 2015	1 January 2015
ASSETS				
Non-current assets				
Property, Plant and Equipment	3	15,874,879	18,109,606	16,207,095
Capital work-in-progress		-	-	-
Investment Property	4	-	-	-
Goodwill	3	761,452	750,171	724,606
Other Intangible assets	3	1,526,241	1,864,264	684,019
Intangible assets under development		-	-	-
Biological Asset other than bearer plants		-	-	-
Financial Assets				
Investments		-	-	-
Trade receivables		-	-	-
Loans	5	146,603	56,289	42,198
Others	5	-	-	256,772
Deferred tax assets (net)	6	946,852	184,179	731,299
Other non-current assets	7	461,923	22,594	136,127
Total non-current assets		19,717,950	20,987,104	18,782,116
Current assets				
Inventories	8	19,570,610	17,807,146	13,745,979
Financial Assets				
Investments				
Trade receivables	5	28,774,576	29,256,063	36,590,451
Cash and cash equivalents	9	5,657,557	5,431,489	4,880,720
Bank balance other than (iii) above				
Loans	5	44,687	18,831	19,209
Others	5	17,157	18,546	838
Current Tax Assets (net)	6	1,040,667	1,117,662	-
Other current assets	7	10,660,247	7,854,003	7,458,637
Total current assets		65,765,500	61,503,739	62,695,833
TOTAL ASSETS		85,483,450	82,490,844	81,477,949
EQUITY AND LIABILITIES				
Equity				
Equity share capital	10	6,132,400	6,132,400	6,132,400
Other equity	11	17,900,205	27,008,427	27,388,834
Total equity		24,032,605	33,140,827	33,521,234
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
Borrowings	12	6,890,115	6,066,204	6,279,126
Trade payables		-	-	-
Other financial liabilities	13	556,247	-	-
Provisions	14	29,818	41,331	37,585
Deferred tax liabilities (net)		-	-	-
Other non-current liabilities	15	-	-	-
Total non-current liabilities		7,476,180	6,107,534	6,316,710
Current liabilities				
Financial liabilities				
Borrowings	12	15,046,083	6,054,111	6,309,585
Trade payables	13	25,084,332	22,980,074	25,891,265
Other financial liabilities	13	10.709.214	10.097.373	6.852.546
Other current liabilities	15	1,970,552	2,430,360	519,059
Provisions	14	1,164,483	1,680,564	1,413,606
Current tax liabilities (net)		-	-	653,944
Total current liabilities		53,974,665	43,242,482	41,640,004
Total liabilities		61,450,845	49,350,017	47,956,715
TOTAL EQUITY AND LIABILITIES		85,483,450	82,490,844	81,477,949

Corporate information	1
Summary of significant accounting policies	2
See accompanying notes to financial statements	3-34

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

As per our report of even date attached
For M/s P.G. Bhagwat
Chartered Accountants

ABHIJEET BHAGWAT
Partner
PUNE : May 17, 2017

M/s P.G. BHAGWAT * CHARTERED ACCOUNTANTS * PUNE

For and on behalf of the Board of Directors

SANJAY KIRLOSKAR
Chairman

Alok Kirloskar
Managing Director

Kirloskar Brothers International B.V.
Consolidated Statement of profit and loss for the period ended 31 December 2016
(Amounts in Euro)

Particulars	Notes	For the year 2016	For the year 2015
Revenue from Operations	16	103,854,138	119,919,130
Other Income	17	1,661,674	2,479,192
Total Income		105,515,813	122,398,322
Expenses			
Cost of materials consumed	18	49,453,343	61,563,521
Purchases of Stock-in-Trade		2,391,925	3,846,256
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	18	456,601	(3,624,334)
Employee benefits expense	19	30,730,449	30,273,176
Finance costs	20	1,562,326	1,488,646
Depreciation and amortization expense	21	2,337,052	2,411,668
Other expenses	22	24,587,530	28,548,614
Total expenses		111,519,225	124,507,547
Profit/(loss)before exceptional items and tax		(6,003,412)	(2,109,225)
Exceptional items			
Profit / (loss) before tax		(6,003,412)	(2,109,225)
Tax expenses			
(1) Current tax	6	16,839	319,185
(2) Deferred tax	6	(563,512)	(369,537)
(3) Short provision of earlier years		-	-
Profit (Loss) for the period from continuing operations		(5,456,739)	(2,058,873)
Profit/(loss) from discontinued operations		-	-
Tax expenses of discontinued operations		-	-
Profit/(loss) from discontinued operations (after tax)		-	-
Profit/(loss) for the period		(5,456,739)	(2,058,873)
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Foreign currency translation reserve	11	(1,983,130)	1,678,466
Foreign exchange loss for subsidiary company		(1,668,353)	-
Income tax relating to items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
Income tax relating to items that will be reclassified to profit or loss		-	-
Total Comprehensive Income for the period (Comprising Profit (Loss) and Other Comprehensive Income for the period)		(9,108,222)	(380,407)

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Chartered Accountants

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PUNE : May 17, 2017

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Chairman

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Managing Director

M/s P.G. BHAGWAT * CHARTERED ACCOUNTANTS * PUNE

Kirloskar Brothers International BV
Consolidated Cash Flow Statement as at 31st December 2016
(Amounts in Euro)

Sr No	Particulars	31st December 2016	31st December 2015
A	**Cash flow from operating activities**		
	Net profit before taxation and extraordinary items	(6,003,412)	(2,109,225)
	Adjustments for		
1	Depreciation / Amortization	2,337,052	2,411,668
2	(Profit)/Loss on sale of Fixed Assets	549	(38,578)
3	Provision for Doubtful Debts/Advances	110,711	
4	Bad Debts written off	-	5,828
5	Finance Income	(2,089)	(188,660)
6	Finance cost	891,435	843,291
7	Diminution in the value of investment	9	-
8	Unrealised exchange (gain)/ Loss	199,806	(429,369)
	Operating profits before working capital changes	(2,465,938)	494,955
1	(Increase)/ decrease in Inventories	(3,841,908)	(3,699,286)
2	(Increase)/ decrease in trade and other receivables	(6,672,889)	8,677,783
3	Increase/ (decrease) in trade creditors	9,601,765	(605,163)
4	Increase/ (decrease) in Provisions	(282,567)	-
5	Increase /(decrease) in other financial liabilities	(65,832)	-
	Cash generated from operations	(3,727,368)	4,868,289
	Income tax paid/refunded	353,634	(471,769)
	Net cash from operating activities	(3,373,734)	4,396,520
B	**B. Cash flow from investing activities**		
1	Purchase of Fixed Assets	(904,045)	(4,801,902)
2	Sale of Fixed Assets	40,685	210,174
3	(Purchase)/sale of Investment property	(4,905)	272,498
4	Interest Received	(135,010)	65,377
5	Advance / Loans to Subsidiaries	-	-
	Net cash from investing activities	(1,003,276)	(4,253,854)
C	**Cash flow from financing activities**		
1	Proceeds from borrowing	7,200,134	3,343,940
2	Repayment of borrowings	(1,243,179)	(2,296,352)
3	Interest Paid	(853,929)	(851,990)
4	Repayment under hire purchase contracts	(301,084)	-
	Net cash used in financing activities	4,801,942	195,598
	Unrealised exchange gain/(loss) in cash and cash equivalent	(198,865)	35,020
	Net increase in cash and cash equivalents	424,932	338,264
	Cash and cash equivalents at the beginning of the year	5,431,490	5,058,205
	Cash and cash equivalents at the end of the year	5,657,557	5,431,489

As per our report of even date attached
For M/s P.G. Bhagwat
Chartered Accountants

ABHIJEET BHAGWAT
Partner
PUNE : May 17, 2017

M/s P.G. BHAGWAT * CHARTERED ACCOUNTANTS * PUNE

For and on behalf of the Board of Directors

SANJAY KIRLOSKAR
Chairman

Alok Kirloskar
Managing Director

Kirloskar Brothers International BV

Notes to the consolidated financial statements for the year ended 31 December 2016 (All amounts are in Euro)

1. Corporate information

Kirloskar Brothers International BV (KBIBV) is a company formed in The Netherlands and owned by Kirloskar Brothers Ltd, India. KBIBV owns 100% share of all foreign subsidiary companies of KBL group which are engaged in providing global fluid management solutions. The core products of the Group are Engineered Pumps, firefighting pumps, Industrial Pumps, Agriculture and Domestic Pumps, Valves, and Hydro turbines.

2. Significant accounting policies

2.1 Basis of preparation

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

For all periods up to and including the year ended 31 December 2016, the group prepared its financial statements in accordance with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) notified under section 133 of the Act and other relevant provisions of the Act.

These are the group's first financial statements prepared in accordance with Ind AS and Ind AS 101 First-time Adoption of Indian Accounting Standards (Ind AS 101) has been applied. An explanation of how the transition from previous GAAP to Ind AS has affected the reported balance sheet, profit or loss and cash flows of the Group is provided in note 46.

The financial statements were authorised for issue by the Board of Directors on May 17, 2017.

2.2 Basis of consolidation and equity accounting

i) Business combinations

Business combinations (other than common control business combinations) on or after 1 January 2015

In accordance with Ind AS 103, the group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred for the business combination is generally measured at fair value as at the date control is acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in OCI and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured subsequently and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in profit or loss.

If a business combination is achieved in stages, any previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

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Common control business combination

Common control business combination includes transactions, such as transfer of subsidiaries or businesses, between entities within a group. Business combinations involving entities or businesses under common control shall be accounted for using the pooling of interest method. Pooling of interest method involves accounting as mentioned below:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements relate to Kirloskar Brothers International BV (KBIBV) and its majority owned subsidiary companies, consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group transactions and the unrealised profit /losses on intra-group transactions, and are presented to the extent possible, in the manner as the Company's independent financial statements.

The names of the subsidiary companies, country of incorporation, proportion of ownership interest and reporting dates considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of KBL	Reporting Date
SPP Pumps Limited	United Kingdom	100%	31 December 2016
Kirloskar Brothers(Thailand) Limited	Thailand	100%	31 December 2016
SPP Pumps (MENA) L.L.C.	Egypt	100%	31 December 2016
Kirloskar Pompen B.V	The Netherlands	100%	31 December 2016
Micawber 784 Proprietary Limited	South Africa	100%	31 December 2016
Kirloskar Brothers International PTY Ltd.	South Africa	100%	31 December 2016
SPP France S A S	France	100%	31 December 2016
SPP Pumps Inc.	USA	100%	31 December 2016
SPP Pumps South Africa Proprietary Limited	South Africa	100%	31 December 2016
Braybar Pumps Limited	South Africa	100%	31 December 2016
Rodelta Pumps International BV	The Netherlands	100%	31 December 2016
Rotaserve Overhaul B.V.	The Netherlands	100%	31 December 2016
SPP Pumps Real Estate LLC	U S A	100%	31 December 2016

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SyncroFlo Inc.	U S A	100%	31 December 2016
SPP Pumps (Asia) Ltd	Thailand	100%	31 December 2016
SPP Pumps (Singapore) Ltd	Singapore	100%	31 December 2016
Rotaserve Limited	United Kingdom	100%	31 December 2016
Kirloskar Brothers International Zambia Limited	Zambia	100%	31 December 2016

The excess of cost to the company of its investment in the subsidiary company over the parents' portion of equity is recognised in the consolidated financial statements as goodwill. The excess of company's share of equity of the subsidiary company over the cost of acquisition is treated as capital reserve.

iii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv) Loss on control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

v) Equity accounted investees

The Group's interests in equity accounted investees comprise interests in joint venture.

A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity- accounted investees until the date on which joint control ceases.

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Derivative financial instruments at fair value through profit or loss	Fair value

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Non-derivative financial instruments at fair value through profit or loss	Fair value
Share based payment transactions	Fair value
Defined benefit plan – plan assets	Fair value

2.4 Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is the Group's functional currency. All financial information is presented in INR rounded to the nearest Millions, except share and per share data, unless otherwise stated.

2.5 Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, current assets, non current assets, current liabilities, non current liabilities and disclosure of the contingent liabilities at the end of each reporting period. The estimates are based on management's best knowledge of current events and actions, however, due to uncertainty about these assumptions and estimates, actual results may differ from the estimates.

This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Critical estimates and judgements

The areas involving critical estimates or judgements are:

1. Estimation of defined benefit obligation – The cost of the defined benefit gratuity and pension plan, and the present value of the gratuity/pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates.
2. Estimation of leave encashment provision - The cost of the leave encashment and the present value of the leave encashment obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates.
3. Impairment of goodwill – The group estimates the value in use of a cash generating unit (CGU) based on the future cash flows after considering the current economic conditions and trends, estimated future operating results and growth rate. The estimated cash flows are developed using internal forecasts. The discount rate used for the CGU's represent the weighted average cost of capital based on historical market returns of comparable companies.
4. Impairment of receivables - The impairment provisions for financial receivables disclosed are based on assumptions about risk of default and expected loss rates.
5. Decommissioning liability – Initial estimate of dismantling and restoration liability requires significant judgement about cost inflation index and other factors as discussed in note
6. Estimation of provision for warranty claims – key assumptions about likelihood and magnitude of an outflow of resources.

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2.6 Inventories

- Inventories are valued at the lower of cost and net realizable value. The cost is calculated on moving weighted average method.

  Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: cost includes cost of purchase excluding taxes subsequently recoverable from tax authorities and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work in progress: cost includes cost of direct materials, labor and a systematic allocation of fixed and variable production overhead that are incurred in converting raw material into finished goods based on the normal operating capacity and excise duty.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

  Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.7 Cash and cash equivalents

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

2.8 Property, plant and equipment

Measurement

Freehold land is carried at historical cost. All other items of property, plant and equipment are measured at cost of acquisition or construction less accumulated depreciation and accumulated impairment loss, if any.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any discounts and rebates are deducted in arriving at the purchase price.

Borrowing costs directly attributable to the construction or acquisition of a qualifying asset up to completion or acquisition are capitalised as part of the cost. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Property, plant and equipment under construction are disclosed as capital work-in-progress.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date are disclosed under "Other non-current assets".

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

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Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. 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 recognised net within other income/expenses in the statement of profit and loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit and loss generally on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as prescribed in Schedule II of the Companies Act 2013 except in the cases mentioned below where the management based on the technical evaluation have estimated the life to be lower than the life prescribed in schedule II.

Patterns – Useful life 1-5 Years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Particulars	**Life**
Building	60 Years
Factory Building	30 Years
Plant and Equipment	3-22 Years
Furniture and Fixtures	10 Years
Vehicles	8 Years
Office equipment	5 Years
Railway Siding	15 Years

2.9 Investment properties

Investment property is a property, being land or building or part of it, that is held to earn rental income or for capital appreciation or both but not held for sale in ordinary course of business, use in manufacturing or rendering services or for administrative purposes.

Upon initial recognition, investment property is measured at cost. The cost of investment property includes its purchase price and directly attributable expenditure, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Investment property in the form of land is not depreciated.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement profit and loss in the period of derecognition.

2.10 Goodwill and intangible assets

Recognition and measurement

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not mortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less impairment losses. Goodwill is allocated to the CGUs for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which goodwill arose.

Other intangible assets are recognised when the asset is identifiable, is within the control of the Group, it is probable that the future economic benefits that are attributable to the asset will flow to the Group and cost of the asset can be reliably measured.

Intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Computer software is amortised over the period of three years.

Research and development costs –

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss.

During the period of development, the asset is tested for impairment annually.

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2.11 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences in relation to the foreign currency borrowings to the extent those are regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised in the cost of that asset. Qualifying assets are those assets which necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

2.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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. Amounts included in revenue are inclusive of excise duty and net of returns, trade allowances, rebates, and value added taxes.

In case of multiple deliverable arrangements where two or more revenue generating activities or deliverables are provided under a single contract, each deliverable that is considered to be a separate component is accounted for separately. Revenue recognition criteria are applied for each separately identifiable component of transaction in order to reflect the substance of the transaction and revenue is recognised separately for each component as and when the recognition criteria for the component is fulfilled.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Customer loyalty programs

Within its product segment, the Group operates loyalty points programs, which allows customers to accumulate points and utilize in subsequent year. The fair value of the consideration received or receivable in respect of initial sale is allocated between the loyalty points issued and pumps sold. The amount allocated to loyalty points is deferred and is recognised as revenue when the loyalty points are redeemed and the Group has fulfilled its obligation towards loyalty points or when time period to redeem its loyalty points is expired.

Rendering of services

Revenue from services is recognised when services are rendered.

Construction Contracts

Contract revenue includes initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Contract revenue and contract cost arising from fixed price contract are recognized in accordance with the percentage completion method (POC). The stage of completion is measured with reference to cost incurred to date as a percentage of total estimated cost of each contract. Until such time (25% of Project Cost) where the outcome of the contract cannot be ascertained reliably, the company recognizes revenue equal to actual cost.

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Full provision is made for any loss estimated on a contract in the year in which it is first foreseen.

Where the Group is involved in providing operation and maintenance services under a single construction contract, then the consideration is allocated on a relative fair value basis between various components of a contract.

2.13 Other income

Interest is recognized on a time proportion basis determined by the amount outstanding and the rate applicable using the effective interest rate (EIR) method. Dividend income and export benefits in the form of Duty Draw Back claims are recognised in the statement of profit and loss on the date that the Group's right to receive payment is established

2.14 Foreign currencies transactions

i) Transactions and balances

Transactions in foreign currency are recorded at exchange rates prevailing at the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss of the year.
Monetary assets and liabilities denominated in foreign currencies which are outstanding, as at the reporting period are translated at the closing exchange rates and the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

ii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet
- Income and expenses are translated at average exchange rates, and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.15 Employee benefits

Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, wages, expected cost of bonus and short term compensated absences, leave travel allowance etc. are recognized in the period in which the employee renders the related service.

Post-employment benefits

Defined contribution plans

The Group's superannuation scheme, state governed provident fund scheme related to Kirloskar Brothers Limited's Dewas, Kainiyur, Sanand factories and employee state insurance scheme are defined contribution plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Defined Benefit Plans

The employees' gratuity fund schemes and provident fund scheme managed by a trust and pension scheme are the Group's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the 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.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to the statement of profit and loss in subsequent periods.

In case of funded plans, the fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on net basis.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises gains/ losses on settlement of a defined plan when the settlement occurs.

The Group pays contribution to a recognized provident fund trust in respect of above mentioned PF schemes.

Other long term employee benefit

The liabilities for earned leave that are not expected to be settled wholly within twelve months after the end of the reporting period in which the employee render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating the terms of the related obligation. Re-measurements as a result of experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss.

2.16 Income taxes

Income tax expense comprises current and deferred tax. It is recognised in the 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.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the country where the Group operates and generates taxable income. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or subsequently enacted regulations.

Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.17 Share-based payments

Share based compensation benefits are provided to the employees (including senior executives) of the Group under the Group's Employee Stock Option Scheme, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The fair value of the options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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2.18 Provisions

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

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

Warranty provisions

Provisions for warranty is recognised when the underlying products and services are sold to the customer based on historical warranty data and at its best estimate using expected value method. The initial estimate of warranty-related costs is revised annually.

Provision for decommissioning and site restoration

The Group has a legal obligation for decommissioning of windmills and restoring the site back to its original condition. Decommissioning and restoration costs are measured initially at its best estimate using expected value method. The present value of initial estimates is provided as a liability and corresponding amount is capitalised as a part of the windmill. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingent liability is disclosed when Group has:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; or
- present obligation arising from past events, when no reliable estimate is possible; or
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Provisions and contingent liabilities are reviewed at each Balance Sheet date.

2.19 Leases

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

For arrangements entered prior to 1 April 2015, the Group has determined whether the arrangement contains lease based on facts and circumstances existing on the date of transition.

- **Group as a lessee**

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss.

- **Group as lessor**

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

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

2.20 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal or its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of profit and loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortisation, if no impairment loss had been recognised.

2.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an

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orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.22 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value. 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 Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

1) Debt instruments at amortised cost
2) Debt instruments at fair value through other comprehensive income (FVTOCI)
3) Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
4) Equity instruments measured at fair value through other comprehensive income (FVTOCI)

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Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial asset

Group 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, trade receivables and bank balance
b. Financial assets that are debt instruments and are measured as at FVTOCI
c. Lease receivables
d. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
e. Loan commitments which are not measured as at FVTPL
f. Financial guarantee contracts which are not measured as at FVTPL

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

a. Trade receivables or contract revenue receivables; and
b. All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the group 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. For recognition of impairment loss on other financial assets and risk exposure, the group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

Financial liabilities

Initial recognition and measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the0020trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Financial guarantee contracts

Financial guarantee contracts issued by the Group 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 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or

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cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group 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.

2.23 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Group by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

Diluted EPS adjust the figures used in the determination of basic EPS to consider

- The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2.24 Segment reporting

Operating segments are reporting in a manner consistent with the internal reporting to the chief operating decision maker (CODM).

The board of directors of the group assesses the financial performance and position of the group and makes strategic decisions. The Board of Directors, which are identified as a CODM, consists of chief executive officer, chief financial officer and all other executive directors. Refer note 46 for segment information presented.

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Consolidated Notes to Accounts

Note 3 : Property, Plant and Equipment

(Amounts in Euro)

	Tangible Assets						Intangible Assets		
	Land Free/ Lease Hold	Buildings	Plant & Equipment	Furniture & Fixture & Office Equipments	Vehicles	Total	Goodwill	Computer Software & Other Intangible	Total
Gross Block									
As at 1 January 2015	2,252,522	9,434,698	9,023,277	5,079,160	409,531	26,199,188	800,624	917,584	1,718,208
Additions	-	57,082	3,095,735	79,117	62,625	3,294,559		1,583,946	1,583,946
Disposals	-	25,927	77,512	13,005	108,506	224,950	-	234,082	234,082
Exchange Difference	-715,808	1,275,600	-169,862	916,208	-51,573	1,254,564	27,560	-27,840	-280
As at 31 December 2015	**1,536,713**	**10,741,452**	**11,871,638**	**6,061,480**	**312,078**	**30,523,361**	**828,184**	**2,239,608**	**3,067,792**
Additions	141,550	6,461	486,005	217,659	25,911	877,585	-	135,418	135,418
Disposals	-		33,130	3	49,469	82,603	-	-	-
Exchange Difference	673,870	-1,203,293	-1,901,349	-136,783	18,878	-2,548,678	34,471	56,232	90,703
As at 31 December 2016	**2,352,133**	**9,544,619**	**10,423,164**	**6,142,352**	**307,397**	**28,769,665**	**862,655**	**2,431,258**	**3,293,913**
Depreciation/ Amortisation									
As at 1 January 2015	-	1,823,448	4,460,475	3,477,831	230,340	9,992,092	76,018	233,565	309,583
Charge for the year	-	-76,026	2,116,624	30,846	86,123	2,157,568		280,309	280,309
Depreciation on disposal	-	-	51,405	12,776	89,919	154,100	-	37,467	37,467
Exchange Difference	-	140,047	-790,018	1,107,121	-38,956	418,194	1,995	-101,064	-99,069
As at 31 December 2015	**-**	**1,887,470**	**5,735,676**	**4,603,022**	**187,588**	**12,413,754**	**78,013**	**375,344**	**453,357**
Charge for the year	-	313,268	1,388,892	200,284	44,963	1,947,407		363,436.62	363,437
Depreciation on disposal	-	-	32,389	-	29,471.87	61,861	-	-	-
Exchange Difference	-	-226,472.06	-1,422,869	236,561.82	8,265.67	-1,404,514	23,189.62	166,235.52	189,425
As at 31 December 2016	**-**	**1,974,265**	**5,669,309**	**5,039,868**	**211,344**	**12,894,786**	**101,203**	**905,016**	**1,006,219**
Net block									
As at 1 January 2015	2,252,522	7,611,250	4,562,803	1,601,329	179,192	16,207,095	724,606	684,019	1,408,624
As at 31 December 2015	1,536,713	8,853,983	6,135,963	1,458,458	124,490	18,109,606	750,171	1,864,264	2,614,435
As at 31 December 2016	2,352,133	7,570,354	4,753,855	1,102,485	96,052	15,874,879	761,452	1,526,241	2,287,693

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Note 4 : Investment Property
(Amounts in Euro)

	Land
Gross Block	
As at 1 January 2015	-
Additions	0
Disposals	-
Exchange difference	
As at 31 December 2015	0
Additions	-
Disposals	-
Exchange difference	-
As at 31 December 2016	0
Net block	
As at 1 January 2015	
As at 31 December 2015	0
As at 31 December 2016	0

The company obtains independent valuations for its investments properties at least annually. The best evidence of fair value is current prices in active market for similar properties. Where such information is not available, the company consider information from variety of sources including,

1. Current prices in active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
2. Discounted cash-flow projection based on reliable estimates of future cash-flows.
3. Capitalised income projections based upon a property's estimated net market income and capitalisation rate derived from an analysis of market evidence.

The main inputs used are the rental growth rates, expected vacancy rates, terminal yields and discount rates based on comparable transactions and industry data. All resulting fair value estimates for investment properties are included in level 3

	Land
Opening balance as at 1 January 2015	1,325,230
Fair value difference	(139,732)
Purchases	-
Closing Balance as at 31 December 2015	1,185,498
Fair value difference	329,325
Purchases/transfer from PPE	-
Closing Balance as at 31 December 2016	1,514,823

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(Amounts in Euro)
Note 5 : Financial Asset

	Particulars	31 December 2016	31 December 2015	1 January 2015
1)	**Trade receivable**			
	Unsecured, considered good	28,774,576	29,256,063	36,590,451
	Doubtful	571,557	534,495	528,116
		29,346,132	29,790,558	37,118,566
Less:	Provision for doubtful receivables	571,557	534,495	528,116
		28,774,576	29,256,063	36,590,451
	Non- current trade receivable (considered good)	-	-	-
	Current trade receivable (considered good)	28,774,576	29,256,063	36,590,451
2)	**Loans**			
	Security deposits			
	Unsecured, considered good	191,290	75,120	61,407
	Doubtful	-	-	-
		191,290	75,120	61,407
Less:	Provision for doubtful deposits	-	-	-
		191,290	75,120	61,407
	Non-current security deposit	146,603	56,289	42,198
	Current security deposit	44,687	18,831	19,209
3)	**Other financial assets**			
(i)	**Others**	17,157	18,546	257,611
	Non-current others	-	-	256,772
	Current others	17,157	18,546	838
	Total other financial assets	17,157	18,546	257,611
	Non-current financial assets	-	-	256,772
	Current financial assets	17,157	18,546	838

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

Trade receivables are non-interest bearing and are generally on terms of 60 to 90 days

Note 6 : Deferred tax
(1) **The major components of income tax expense for the years ended 31 December 2016 and 31 December**

(a) Profit or loss

Particulars	For the year 2016	For the year 2015
Current income tax:		
Current income tax charge	16,839	319,185
Adjustments in respect of current income tax of previous year		
Deferred tax:		
Relating to origination and reversal of temporary differences	(563,512)	(369,537)
Income tax expense reported in the statement of profit or loss	(546,673)	(50,352)

(b) Balance sheet

	Particulars	31 December	31 December 2015	1 January 2015
	Deferred tax			
	Deferred tax asset	823,431	253,364	706,740
	Deferred tax liability	(123,421)	69,185	(24,559)
		946,852	184,179	731,299
	Current tax			
	Current advance tax	1,041,537	1,118,404	(653,047)
	Current tax liabilities	(871)	(742)	(897)
		1,040,667	1,117,662	(653,944)

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Consolidated Notes to Accounts
(Amounts in Euro)
Note 7 : Other non-financial assets

	Particulars	31 December 2016	31 December 2015	1 January 2015
1)	**Other loans and advances**			
(i)	**Advances to supplier and others**			
	Unsecured, considered good	5,903,116	1,656,962	631,137
	Doubtful	-	-	-
		5,903,116	1,656,962	631,137
Less:	Provision for doubtful advances	-	-	-
		5,903,116	1,656,962	631,137
	Non-current advances to supplier and others	-	-	-
	Current advances to supplier and others	5,903,116	1,656,962	631,137
(ii)	Prepaid expenses	1,522,519	1,136,455	830,523
	Non-current prepaid expenses	461,923	22,594	77,067
	Current prepaid expenses	1,060,596	1,113,861	753,456
(iii)	Retention	2,746,754	4,704,166	5,321,088
	Non-current retention	2,746,754	4,704,166	5,262,028
	Current retention	-	-	59,060
(iv)	Claims receivable	949,781	379,014	812,015
	Non-current claims receivable	-	-	-
	Current claims receivable	949,781	379,014	812,015
	Total non-financial assets	11,122,170	7,876,597	7,594,764
	Total non-current non-financial assets	461,923	22,594	136,127
	Total current non-financial assets	10,660,247	7,854,003	7,458,637

Note 8 : Inventories

	Particulars	31 December	31 December 2015	1 January 2015
	Raw Materials *	9,528,678	7,360,499	7,053,743
	Work-in-progress	7,258,190	5,587,208	3,504,309
	Finished goods	2,360,189	4,487,772	2,946,337
	Stores and spares	423,553	371,668	241,589
*	Include goods in transit - Eur 226,028 (2016 : Eur 444,847/-, 2015: Eur 473,680)			
		19,570,610	17,807,146	13,745,979

Amounts recognised in profit or loss
Write-down of inventories to net realisable value amounted to Rs...... These were recognised as an expenses during the year and included in 'other miscellaneous expenditure'

Note 9 : Cash and cash equivalents

	Particulars	31 December	31 December 2015	1 January 2015
1)	Balances with bank			
	In current account	5,651,803	5,424,935	4,876,590
2)	Cash on hand	5,754	6,554	4,129
		5,657,557	5,431,489	4,880,720

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Note 10: Share capital

	31 December 2016	31 December 2015	1 January 2015
Share Capital			
Authorised			
10,000 (10,000) equity shares of Euro 100/- each (Euro 100) e	1,000,000	1,000,000	1,000,000
Issued, subscribed & fully paid up			
59,724 (59,724) equity shares of Euro 100/- each (Euro 100) e	5,972,400	5,972,400	5,972,400
Issued, subscribed & partly paid up			
2,000 (2,000) equity shares of Euro 100/- each (Euro100) eac Euro 80 (Euro 80) paid	160,000	160,000	160,000
Issued during the year	-	-	-
Total	6,132,400	6,132,400	6,132,400

a) Reconciliation of share capital

	31 December 2016		31 December 2015		1 January 2015	
	Number	Euro	Number	Euro	Number	Euro
Shares outstanding at the beginning of the year	61,724	6,132,400	61,724	6,132,400	61,724	6,132,400
Shares Issued during the year	-	-	-	-	-	-
Shares outstanding at the end of the year	61,724	6,132,400	61,724	6,132,400	61,724	6,132,400

b) Details of share holders holding more than 5% shares

	31 December 2016		31 December 2015		1 January 2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Brothers Ltd	61,724	100	61,724	100	61,724	100

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Note 11 : Other equity

	Particulars	31 December	31 December 2015	1 January 2015
1)	**Capital redemption reserve**	**59,859**	59,859	59,859
2)	**Securities premium reserve**	**6,075,247**	6,075,247	6,075,247
3)	**Foreign Currency Translation Reserve**			
	Opening balance	**3,005,533**	1,327,067	-503,122
	Add: Current Year Transfer	**-1,983,130**	1,678,466	1,830,190
		1,022,403	3,005,533	1,327,067
4)	**Retained earnings**			
	Opening balance	**17,867,788**	19,926,661	15,691,327
	Profit/(loss) for the period	**(7,125,092)**	(2,058,873)	4,235,334
	Closing balance	**10,742,696**	17,867,788	19,926,661
	Total Reserves and surplus	**17,900,205**	27,008,427	27,388,834

Note 12 : Financial Liabilities - Borrowings

	Particulars	31 December 2016	31 December 2015	1 January 2015
a)	**Secured**			
	Term loan from bank	**6,402,710**	5,236,690	5,519,922
	Less- Current maturities of non-current borrowings	**81,648**	69,601	-
		6,321,062	5,167,089	5,519,922
	Loans repayable on demand from bank			
	Cash / export credit facilities	**8,609,348**	3,141,981	3,225,928
	Working capital demand loans	**6,436,735**	2,912,130	2,776,360
		15,046,083	6,054,111	6,002,288
b)	**Unsecured**			
	Finance Lease obligation	**852,603**	2,476,967	1,616,593
	Less- Current maturities of non-current borrowings	**283,550**	1,577,853	857,389
		569,053	899,114	759,204
	Other loans and advances	**-**	-	307,297
	Total borrowings	**21,936,198**	12,120,315	12,588,711
	Total non-current borrowings	**6,890,115**	6,066,204	6,279,126
	Total current borrowings	**15,046,083**	6,054,111	6,309,585

Note 13 : Financial liabilities

	Particulars	31 December	31 December 2015	1 January 2015
1)	**Trade payable**			
	Total outstanding dues of micro enterprises & small enterprises	**-**	-	-
	Total outstanding dues of creditors other than micro enterprises & small enterprises	**25,084,332**	22,980,074	25,891,265
		25,084,332	22,980,074	25,891,265
	Non-current trade payable	**-**	-	-
	Current trade payable	**25,084,332**	22,980,074	25,891,265
2)	**Other financial liabilities**			
(i)	Current maturities of long term loan (Refer note 12)	**365,198**	1,647,454	857,389
(ii)	Forward contract liability	**1,182,322**	735,885	283,361
(iii)	Others			
	Trade deposits	**-**	59,995	663,946
	Salary & Reimbursements	**1,655,619**	1,641,102	1,623,069
	Provision for expenses	**7,421,525**	6,012,938	3,424,781
	Payable for corporate guarantee	**640,798**	-	-
		11,265,462	10,097,373	6,852,546
	Non-Current other financial liabilities	**556,247**	-	-
	Current other financial liabilities	**10,709,214**	10,097,373	6,852,546
	Total financial liabilities	**36,349,794**	33,077,447	32,743,810
	Non-Current financial liabilities	**556,247**	-	-
	Current financial liabilities	**35,793,547**	33,077,447	32,743,810

Terms and conditions of the above financial liabilities:
1) Trade payables are non-interest bearing and are normally settled in 60-90 days.
2) Other payables are non-interest bearing and have an average term of six months
3) For explanations on the Group's credit risk management processes, refer to Note 28.

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Note 14 : Provisions

	Particulars	31 December	31 December 2015	1 January 2015
1)	**Provision for employee benefits**			
	Compensated absences	-	-	64,255
	Gratuity	29,818	41,331	37,585
		29,818	41,331	101,840
	Non-current provision for employee benefits	29,818	41,331	37,585
	Current provision for employee benefits	-	-	64,255
2)	**Other provision**			
	Provision for product warranty	1,164,483	1,680,564	1,349,351
		1,164,483	1,680,564	1,349,351
	Non-current other provision	-	-	-
	Current other provision	1,164,483	1,680,564	1,349,351
Total	Provisions	1,194,301	1,721,895	1,451,191
Non-current total provision		29,818	41,331	37,585
Current total provision		1,164,483	1,680,564	1,413,606

Note 15 : Other liabilities

	Particulars	31 December 2016	31 December 2015	1 January 2015
1)	**Gross amount due to customers for project related contract work**	0	0	0
	Non-current Gross amount due to customers for project related contract work	-	-	-
	Current Gross amount due to customers for project related contract work	0	0	0
2)	**Advance from customer**	1,731,419	1,779,541	478,992
	Non-current advance from customer	-	-	-
	Current advance from customer	1,731,419	1,779,541	478,992
3)	**Contribution towards social security expenses**	168,295	102,358	40,067
	Non-current contribution towards social security expenses	-	-	-
	Current contribution towards social security	168,295	102,358	40,067
4)	**Statutory dues**	70,838	548,460	-
	Non-current statutory dues	-	-	-
	Current statutory dues	70,838	548,460	-
	Total other liabilities	1,970,552	2,430,360	519,059
	Total Non-Current non-financial liabilities	-	-	-
	Total Current non-financial liabilities	1,970,552	2,430,360	519,059

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Note : 16

	Revenue from operations		
	Particulars	**For the year 2016**	For the year 2015
(a)	**Revenue from sale of goods and services**		
	Sale of goods	102,015,003	117,278,850
		102,015,003	117,278,850
(b)	**Other operating revenues**	1,839,135	2,640,279
		103,854,138	119,919,130

Note : 17
Other Income

	Particulars	**For the year 2016**	For the year 2015
(a)	**Interest Income**		
	On fixed deposits	-	5,473
	From others	2,089	250,289
(b)	**Foreign exchange difference (net)**	-	101,070
(c)	**Other non-operating income**	1,659,586	2,122,360
		1,661,674	2,479,192

Note : 18
Cost of material consumed

		For the year 2016	For the year 2015
	Raw material consumed	49,453,343	61,563,521
		49,453,343	61,563,521
Changes in inventories of finished goods, work-in-			
Opening Stock			
	Finished goods	4,487,772	2,946,337
	Work-in- progress	5,587,208	3,504,309
		10,074,980	6,450,646
Closing Stock			
	Finished goods	2,360,189	4,487,772
	Work-in- progress	7,258,190	5,587,208
	Stock in trade		
		9,618,379	10,074,980
		456,601	(3,624,334)

Note : 19
Employee benefits expense

	Particulars	**For the year 2016**	For the year 2015
	Salaries, wages and bonus	27,912,267	26,732,775
	Defined contribution plans	1,934,600	2,686,799
	Welfare expenses	883,581	853,602
		30,730,449	30,273,176

Note : 20
Finance cost

	Particulars	**For the year 2016**	For the year 2015
	Interest expense	891,436	925,046
	Other borrowing costs	492,717	482,368
	Interest and finance charges on financial liabilities not at fair value through profit or loss	178,173	81,232
	Total interest expenses	1,562,326	1,488,646
	Total finance cost	1,562,326	1,488,646

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Note : 21

Depreciation and amortisation

	Particulars	For the year 2016	For the year 2015
	Depreciation on tangible assets	1,947,406	2,157,568
	Depreciation on intangible assets	389,645	254,101
		2,337,052	2,411,668

Note : 22

Other expenses

	Particulars	For the year 2016	For the year 2015
	Stores and spares consumed	1,379,910	922,251
	Processing charges	383,441	525,545
	Power & fuel	846,269	786,728
	Repairs and maintenance		
	Buildings	141,372	159,218
	Plant and machinery	428,659	639,267
	Other	813,746	1,632,569
	Rent	1,652,100	3,524,626
	Rates and taxes	143,564	461,920
	Travel and conveyance	3,193,134	3,262,049
	Communication expenses	617,585	723,573
	Insurance	1,306,290	1,357,568
	Royalties and fees	52,180	3,815
	Freight and forwarding charges	2,353,503	2,660,518
	Brokerage and commission	1,711,237	2,369,416
	Advertisements and publicity	914,741	1,414,762
	Provision for product warranty	0	359,085
	Loss on sale/disposal of fixed assets	549	371
	Bad debts, advances, deposits and claims written off	110,711	5,895
	Auditor's remuneration	327,603	305,368
	Professional, consultancy and legal expenses	2,376,789	2,025,859
	Security services	45,321	45,503
	Computer services	690,849	822,284
	Stationery & Printing	360,902	263,138
	Training course expenses	197,263	379,793
	Outside service charges	722,168	1,258,215
	Foreign exchange difference (net)	1,619,992	0
	Other miscellaneous expenses	2,197,652	2,639,280
		24,587,530	28,548,614

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Note 23	Rental commitments	31 December 2016	31 December 2015	1 December 2015
	Lease and rent commitments -			
	Not less than 1 year	1,460,409	1,353,274	932,141
	1 to 5 years	1,797,013	2,060,484	1,775,189
	More than 5 years	175,395	204,605	192,801
		3,432,817	3,618,363	2,900,131

Note 24	Construction contracts		2016	2015
a)	Contract Revenue recognised as revenue for the year		3,730,249	687,665
b)	Advances received		87,197	-
c)	Amount of retentions		-	-
d)	Gross amount due from customer		-	
	Contract costs incurred		2,575,899	493,802
	Recognised Profits less recognised Losses		1,154,349	193,862
	Less: Progress Billing		3,817,440	407,520
	Net [Note A- 5 (2)(iii)]		(67,192)	280,144

Note 25 Remuneration to Auditors

Particulars	2016	2015
a) Audit Fees	305,947	230,567
b) Tax Audit Fees	12,200	14,960
c) VAT Audit Fees		
d) Limited Review		
e) Certification services		
d) Other services	9,455	59,840
e) Expenses reimbursed		
	327,602	305,367

Note 26 Movement in provision

	Provision for product warranty
Carrying amount as at 1 January 2015	**1,349,350**
Add: Provision during the year 2015-16	372,151
Add: Unwinding of discounts	
Less: Amount utilised during the year 2015-16	(731,655)
Less: Amount reversed during the year 2015-16	
Exchange difference	690,718
Carrying amount as at 31 December 2015	**1,680,564**
Add: Provision during the year 2016-17	
Add: Unwinding of discounts	
Less: Amount utilised during the year 2016-17	(73,942)
Less: Amount reversed during the year 2016-17	(278,443)
Exchange difference	(163,696)
Carrying amount as at 31 December 2016	**1,164,483**

Note 27: Fair Value of financial assets and liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the group's financial instruments that are recognised in the financial statements

Sr.No.	Particulars	Carrying value			Fair Value		
		31 December 2016	31 December 2015	1 January 2015	31 December 2016	31 December 2015	1 January 2015
a)	**Amortised cost**						
	Loans	191,290	75,120	61,407	191,290	75,120	61,407
	Trade receivable *	28,774,576	29,256,063	36,590,451			
	Cash and cash equivalent *	5,657,557	5,431,489	4,880,720			
	Other financial assets	17,157	18,546	257,611	17,157	18,546	257,611
		34,640,579	34,781,218	41,790,188	208,446	93,666	319,018
	Financial Liabilities						
b)	**Fair value through profit and loss**						
	Derivatives	1,182,322	735,885	283,361	1,182,322	735,885	283,361
c)	**Amortised cost**						
	Current borrowings at fixed rate of interest	15,046,083	6,054,111	6,309,585	15,046,083	6,054,111	6,309,585
	Non-current borrowings	6,890,115	6,066,204	6,279,126	6,890,115	6,066,204	6,279,126
	Other financial liabilities	11,265,461	10,097,373	6,852,546	11,265,461	10,097,373	6,852,546
	Trade payable *	25,084,332	22,980,074	25,891,265			
		59,468,313	45,933,647	45,615,882	34,383,981	22,953,573	19,724,617

* The company has not disclosed the fair values of trade payables, trade receivables, cash and cash equivalents and other bank balances, because their carrying amounts are reasonable approximation of fair value.

Fair value hierarchy

All financial assets and financial liabilities are leveled as level 2 calculated using discounted cash flow method; except for trade payables, trade receivables, cash and cash equivalents and other bank balances whose fair value is not disclosed.

Following inputs are used for calculating discounted cash flow:

1. Maturity
2. Prevailing interest rate
3. Future cash flows

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Note 28: Financial risk management policy and objectives

Group's principal financial liabilities, comprise loans and borrowings, trade and other payables, and derivatives. The main purpose of these financial liabilities is to finance group's operations and to provide guarantees to support its operations. Group's principal financial assets include advances to subsidiaries, trade and other receivables, security deposits and cash and cash equivalents, that derive directly from its operations.
Group is exposed to certain risks which includes market risk, credit risk and liquidity risk.
Risk Management committee of the group oversees the management of these risks. This committee is accountable to audit committee of the board. This process provides assurance to the group's senior management that group's financial risk- taking activities are governed by the appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group's policies and risk appetite.
The policies for managing these risks are summarised below.

1) Credit Risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.
Group uses expected credit loss model for assessing and providing for credit risk. Refer note ... for expected credit loss model analysis.

a) Trade receivable
Customer credit risk is managed by each business unit subject to the group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. Trade receivables are non interest bearing and are generally on, 60 days to 90 days credit term. The group has no concentration of risk as customer base in widely distributed both economically and geographically. The ageing analysis of trade receivable as on reporting date is as follows

	Neither past due nor impaired	Past due but not		Impaired	Total
		Less than180 days	181 to 365 days	More than 365 days	
31 December 2016	15,059,116	16,705,538	891,831		32,656,486
31 December 2015	17,746,396	14,970,857	1,060,143		33,777,396
1 January 2015	23,757,784	14,864,454	1,420,434		40,042,673

b) Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the group's treasury department in accordance with group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Group monitors rating, credit spreads and financial strength of its counter parties. Group monitors ratings, credit spread and financial strength of its counter parties. Based on ongoing assessment group adjust it's exposure to various counterparties. Group's maximum exposure to credit risk for the components of statement of financial position is the carrying amount as disclosed in Note 13.

2) Liquidity risk
Liquidity risk is the risk that the group may not be able to to meet it's present and future cash flow and collateral obligations without incurring unacceptable losses. Group's objective is to, at all time maintain optimum levels of liquidity to meet it's cash and collateral requirements. Group closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate sources of financing including overdraft, debt from domestic and international banks at optimised cost. Group enjoys strong access to domestic and international capital market across debt, equity and hybrids.

The table summer rises the maturity profile of group's financial liabilities based on contractual undiscounted payments

As at 31 December 2016

	Carrying amount	On demand	Less than180 days	181 to 365 days	More than 365 days	Total
Interest bearing borrowings	21,936,194	15,046,082	129,909	-	6,760,207	21,936,198
Other liabilities	10,624,659	3,705,923	1,497,185	5,283,418	778,935	11,265,461
Trade and other payable	25,168,880	2,102,205	19,033,083	3,949,044	0	25,084,332

As at 31 December 2015

	Carrying amount	On demand	Less than180 days	181 to 365 days	More than 365 days	Total
Interest bearing borrowings	12,120,313	6,039,993	95,735	-	5,984,587	12,120,315
Other liabilities	10,097,373	3,661,853	4,965,602	1,183,995	285,923	10,097,373
Trade and other payable	22,980,071	808,543	19,593,233	2,578,298	-	22,980,074

As at 1 January 2015

	Carrying amount	On demand	Less than180 days	181 to 365 days	More than 365 days	Total
Interest bearing borrowings	12,588,762	6,309,638	192,319	-	6,086,754	12,588,711
Other liabilities	6,852,545	2,461,314	3,595,270	371,820	424,142	6,852,546
Trade and other payable	25,891,263	891,956	24,002,372	996,938	-	25,891,265

3) 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 three types of risk interest rate risk, currency risk and other price risk such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits.

The sensitivity analysis in the following sections relate to the position as at 31 March 2017 and 31 March 2016. The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt, proportion of financial instruments in foreign currencies are all constant at 31 March 2017.
The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.

Group's activities expose it to variety of financial risks, including effect of changes in foreign currency exchange rate and interest rate.

a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.
The group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss, except for Rand denominated borrowing, if interest rates had been 1% higher / lower with all other variables held constant the impact would be Euro 25,813 (31 December 2015: 21,118 and 1 January 2015: 22,023)

b) Foreign currency risk
Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. group transacts business in local currency Eur and in different foreign currencies. group has foreign currency trade receivables, trade payables, advances, deposits and therefore is exposed to foreign exchange risk. The group has not hedged it's foreign currency exposure by derivative instruments or otherwise.
Below the sensitivity analysis for foreign currency risk

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Sensitivity analysis for foreign currency risk

Financial Assets	Currency	Amount in Foreign Currency			Amount in Euro		
		31 December 2016	31 December 2015	1 January 2015	31 December 2016	31 December 2015	1 January 2015
Trade Receivables	EGP	-	-	-	-	-	-
	EUR	7,385,879	6,251,013	-	7,385,879	6,251,013	-
	GBP	207,256	38,347	-	242,054	52,152	-
	USD	16,055,921	18,533,489	286,096	15,230,647	17,023,010	235,457
	AED	3,028,880	1,504,099	-	784,075	377,251	-
	ZAR	1,878,170	790,690	-	129,782	46,572	-
Bank Accounts	AED	202,251	-	-	52,356	-	-
	EUR	621,229	1,096,179	-	621,229	1,096,179	-
	GBP	4,975	49	3,809	5,810	67	4,876
	USD	-9,242,876	-4,998,707	299,947	-8,767,792	-4,591,312	246,856
	VND	65,596,856	161,557,526	-	2,738	6,617	-
	CNY	41,202	24,484	-	5,644	3,473	-
Amount Due from Employees	EGP			-	-	-	-
	EUR	4,905	8,810	-	4,905	8,810	-
	GBP	-	-	-	-	-	-
	USD	3,028,880	1,504,099	-	2,873,196	1,381,515	-

Financial Liabilities	Currency	Amount in Foreign Currency			Amount in Eur		
		31 December 2016	31 December 2015	1 January 2015	31 December 2016	31 December 2015	1 January 2015
Trade Payables	EGP	-	-	-	-	-	-
	EUR	3,547,345	4,801,743	320,475	3,547,345	4,801,743	320,475
	GBP	1,030,665	489,028	473,095	1,203,714	665,078	605,562
	USD	18,155,174	11,938,648	2,154,131	17,221,998	10,965,648	1,772,850
	JPY	-	-	-	0	-	-
	VND	-	-	-	0	-	-
	AED	1,294,059	284,857	-	334,988	71,446	-
	SGD	27,364	-	-	17,975	-	-

Currency wise net exposure (liabilities - assets)

Particulars	Amount in Foreign Currency			Amount in Euro		
	31 December 2016	31 December 2015	1 January 2015	31 December 2016	31 December 2015	1 January 2015
EGP	(207,156)	(8,810)	-	(52,356)	-	-
EUR	(4,459,763)	(2,545,449)	320,475	(4,464,668)	(2,554,259)	320,475
GBP	818,434	450,632	469,286	955,849	612,860	600,686
USD	8,313,249	(3,100,233)	1,568,088	7,885,948	(2,847,564)	1,290,536
JPY	-	-	-	-	-	-
VND	(65,596,856)	(161,557,526)	-	(2,738)	(6,617)	-
CHF	1,294,059	284,857	-	334,988	71,446	-

Sensitivity Analysis

Currency	Amount in Eur		Sensitivity %	Impact on profit (strengthen)		Impact on profit (weakening)	
	2017	2016		2017	2016	2017	2016
EGP	(52,356)	-	0.29%	150	-	(150)	-
EUR	(4,464,668)	(2,554,259)	2.55%	113,939	65,185	(113,939)	(65,185)
GBP	955,849	612,860	5.01%	(47,844)	(30,676)	47,844	30,676
USD	7,885,948	(2,847,564)	7.56%	(595,950)	215,193	595,950	(215,193)
JPY	-	-	1.22%	-	-	-	-
VND	(2,738)	(6,617)	7.11%	195	470	(195)	(470)
CHF	334,988	71,446	6.29%	(21,080)	(4,496)	21,080	4,496
Total	**4,657,023**	**(4,724,134)**		**(550,589)**	**245,677**	**550,589**	**(245,677)**

Note 29: Investment in subsidiaries

During the year 2016-17, SPP Pumps (Asia) Limited was incorporated a wholly owned subsidiary of Kirloskar Brothers Thialand Ltd, (KBTL) with a registered capital of 1 Mln Baht (10000 ordinary shares of Baht 100 each).

During the year 2016-17, Kirloskar Brothers International Zambia Limited was incorporated a wholly owned subsidiary of Kirloskar Brothers International (PTY) Ltd. with registered capital of 10,000 ZMK (10,000 shares of ZMK 1 each called up and fully paid up).

Note 30: Sale of subsidiary undertaking:

On 27 Septemeber 2016, SPP Pumps Limited sold its 100% interest in the ordinary share capital certificate Engines Limited to its immediate holding Company Kirloskar Brothers International BV for consideration of GBP 1. Its carrying value recognised was Nil.

Note 31: Prior period error

Revenue amounting to R1 59,75,929 (Euro 113,827) was incorrectly recognised by KBIPTY before the goods were delivered to the customer in 2014. The goods were not subsequently delivered or collected by the customer as the customer failed to pay for the goods in advance. The correction of errors has resulted in adjustment as follows.

Balance sheet	**31 December 2015 (Eur)**	**1 January 2015 (Eur)**
Decrease in trade and other receivables	(129,762)	(129,762)
Decrease in retained earnings	45,848	45,848
Decrease in trade and other payables	15,936	15,936
Increase in deferred tax asset	17,830	17,830
Increase in inventory	50,149	50,149

Note 32: Loss on currency valuation

In accordance with FRS 102, SPP Pumps Limited's forward exchange contracts have been valued at the year end using mark-to-market valuation provided by the forward contract providers. These contracts are used to hedge againsy currency exchange fluctuation for debtors and creditor balances denominated in overseas currencies and are typically held for a period of 6-9 months.

SPP Pumps Limited hedges all sales and purchase orders denominated in US Dollar and Euro using forward contracts with expiry dates to match the expected dates of cash receipts and payments. This is an effective strategy to minimise the risk of foreign exchnage movements. SPP Pumps Limited has very little trade in other currencies.
The reported currency movement arises mainly because forward contracts are taken out when a sales order is received. For Engineered Products, there is often a significant lead time between receiving an order and the invoicing of that order, so at any point in time, there is significant value of forward contracts for un-invoiced sales orders. At the year end, approximatly half of the forward contracts refer to orders not invoiced. However, Ind AS 109 requires the company to value all forward contract liabilites, even when the corresponding asset is not yet included in Company's balance sheet, as the work is not yet invoiced.

The reported loss on currency valuation is therefore mainly a notional accounting adjustment and for individual traders the caluculated loss will reverse as the sales orders are invoiced and as cash is ultimately received.

Note 33: Impairment of investments in KPBV

Kirloskar Pompen BV (KPBV) is the holding company of Rodelta Pumps International BV and Rotaserve Overhaul BV with investment of 100% in each. The networth of KPBV (Consolidated) is negative primariliy because of the losses in Rodelta Pumps Internationa BV. The management of Rodelta Pumps International BV have provided detailed projections for the next five years and the auditors of Rodelta Pumps International BV have accepted the same. On this basis the management of KBIBV do not feel impairment of KP BV in this year is required

Note 34: Impairment of investments in KPBV

The Board of Directors in its meeting held on 7th Novemebr 2016 resolved that SPP Pumps (MENA) its wholly owned subsidiary is not in a position financially to repay the loans given to it. It was decided that the loan will be converted in to equity. The formalities of transfer takes about 6 months and therefore should be completed before the end of next financial year.