M/S P. G. BHAGWAT
CHARTERED ACOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of **KIRLOSKAR BROTHERS INTERNATIONAL BV**

Report on the Audit of the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

Opinion

We have audited the accompanying Consolidated Ind AS Financial Statements of Kirloskar Brothers International BV, (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at 31st March, 2019, the consolidated statement of profit and loss (including other comprehensive income) for the period 1st January 2018 to 31st March 2019, the consolidated statement of changes in equity and the statement of cash flows for the for the period 1st January 2018 to 31st March 2019 and including a summary of significant accounting policies; hereinafter referred to as, 'the Consolidated Ind AS Financial Statements'.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Ind AS Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Group as at March 31, 2019, its loss for the period 1st January 2018 to 31st March 2019, its changes in equity and its cash flows for the period 1st January 2018 to 31st March 2019.

Basis for Opinion

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

Responsibility of Management for Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Ind AS Financial Statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards prescribed in India. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Ind AS Financial Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

M/s P. G. BHAGWAT CHARTERED ACCOUNTANTS

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

The Board of Directors is also responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Ind AS Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Ind AS Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Ind AS Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude, that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Ind AS Financial Statements, including the disclosures, and whether the Consolidated Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Matters

1. The management of the Group have prepared the Consolidated Ind AS Financial Statements for fifteen months i.e. for the period starting from 1st January 2018 to 31st March 2019. Therefore the current year figures are not comparable with the previous year figures (twelve months) to that extent.

2. The financial statements of twenty one companies included in these Consolidated Ind AS Financial Statements for the period starting from 1st January 2019 to 31st March 2019 are management drawn. The financial statements of these twenty one companies reflect total assets of Euro 112,086,397 as at 31st March 2019, total revenues of Euro 34,487,428 and net cash inflow amounting to Euro 56,212 for the period 1st January 2019 to 31st March 2019, as considered in the Consolidated Ind AS Financial Statements.

3. We did not audit the financial statements of twenty subsidiary companies for the year ended 31st December 2018. The financial statements of the subsidiaries reflect total assets of Euro 91,536,734 as at 31st December 2018, total revenues of Euro 118,849,641 and net cash inflow amounting to Euro 922,549 for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. These financial statements have been audited by other auditors; whose reports have been furnished to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these twenty subsidiary companies is based solely on the reports of the other auditors.

4. For additional procedures carried out by us; being auditors of parent company with respect to one step down subsidiary company refer Annexure A

Our opinion on the Consolidated Ind AS financial statements is unmodified for the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

For M/s P.G.Bhagwat
Chartered Accountants
Firm's Registration Number:101118W

Abhijeet Bhagwat
Partner
Membership Number:136835
Pune
10th May, 2019

M/s P.G. BHAGWAT CHARTERED ACCOUNTANTS

M/s P.G. BHAGWAT
Chartered Accountants

Annexure A

Description Audit Matter:
Rodelta Pumps International B.V. is one of the subsidiaries of the Company and is situated at Twentepoort Oost 24,7609 RG Almelo The Netherlands. Its activities mainly consist of engineering, assembling and trading in specialized pumps. For the financial year ended 31st December 2018, the auditor of the subsidiary has expressed a disclaimer of opinion for the reasons as mentioned in his report and reproduced herein below:.

"As a result of the various staff changes and of the design of the automated system, we were unable to adequately test the administrative organization and the associated irreplaceable internal control measures for the year 2018. Despite the extensive additional substantive testing it was not possible to overcome the deficiencies in the administrative organization and internal controls. As a result of the aforementioned circumstances, we have not been able to obtain the required assurance about the in 2018 recognized revenue, cost of sales, inventories, debtors and work in progress and the same applies for the direct related items to this".

Description of Auditor response:
With a view to evaluate the impact of the afore-mentioned disclaimer on the audit opinion of the Consolidated Financial Statements of the parent Kirloskar Brothers International BV, a reference to Auditing Standard - **SA 705, "Modification to the opinion in the independent auditor's report"** was made. This standard deals the manner in which an auditor modifies his opinion on the financial statements and in certain cases wherever required, disclaims his opinion, if in his professional judgement he is unable to obtain sufficient appropriate audit evidence and the possible effects of any undetected misstatements therefrom, would be both material and pervasive. We carried out following procedures to evaluate whether our additional procedures would lead us to similar conclusion also on the consolidated financial statements of the group taken as whole. We also carried out following procedures relying on the requirements of Standard on Auditing - **SA 600, "Using the work of another auditor"** which forms the basis of consolidation of financial statements of subsidiaries, associates and joint ventures, as the case may:

1. Discussion with the local management of the Company and their views on auditor's opinion;
2. Discussion with the local independent auditor of the Company based on review of his replies to group audit instructions and Draft Board Letter communicated by him;
3. Following additional procedures were carried out with respect to areas mentioned in the basis for disclaimer
    a. Revenue:
        i. Verification of cut-off documents;
        ii. Sample verification of invoices with sales order and packing list including certain subsequent collections;
    b. Cost of Sales (COGS) and Inventory:
        i. analytical reviews in terms of discussion with local management regarding inventory and consumption recording
        ii. Physical inventory verification on test basis
        iii. Discussed process of inventory valuation and reviewed inventory ageing
    c. Work in Progress: overview of inventory recording procedure in ERP including overhead loading
    d. Trade Receivables: reviewed subsequent realisations for debtors outstanding as at 31 Dec. 18. In addition, local auditor has mentioned in replies to group audit instructions that balance confirmations have been received from 98% of debtors (in value terms).

e. Other areas:
   i. Verified purchases on test basis
   ii. Verified bank reconciliations for December 2018
   iii. Carried out general purpose analytical procedures on financial statements including materiality involved.

Based on the procedures carried out by us as stated above, though the internal processes of the company need strengthening, no material misstatements affecting true and fair view were observed by us.

For M/s P.G.Bhagwat
Chartered Accountants
Firm's Registration Number:101118W

Abhijeet Bhagwat
Partner
Membership Number:136835
Pune
10th May, 2019

KIRLOSKAR BROTHERS INTERNATIONAL B.V.

CONSOLIDATED FINANCIALS FOR FIFTEEN MONTHS ENDED 31 MARCH 2019

10th MAY 2019

Kirloskar Brothers International B.V.
Consolidated Balance Sheet as at 31 March 2019
(Amounts in Euro)

Particulars	Note	31 March 2019	31 December 2017
ASSETS			
Non-current assets			
Property, Plant and Equipment	3	**13,707,991**	14,423,300
Capital work-in-progress	4	**7,621**	12,051
Goodwill	3	**237,994**	702,966
Other Intangible assets	3	**439,085**	1,156,527
Financial Assets			
Investments	5	**6,392**	**3**
Loans	7	**181,677**	136,329
Deferred tax assets (net)	19	**2,013,607**	1,756,684
Other non-current assets	9	**172,178**	411,333
Total non-current assets		**16,766,545**	18,599,193
Current assets			
Inventories	10	**28,002,247**	22,331,294
Financial Assets			
Trade receivables	6	**31,150,891**	28,084,227
Cash and cash equivalents	11 a	**3,089,281**	2,223,815
Other bank balances	11 b	**111,446**	111,446
Loans	7	**43,156**	49,051
Others	8	**47,818**	647,021
Current Tax Assets (net)	19		353,176
Other current assets	9	**12,266,182**	12,895,885
Total current assets		**74,711,021**	66,695,915
TOTAL ASSETS		**91,477,566**	85,295,108
EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	**19,807,600**	6,132,400
Other equity	13	**(6,135,031)**	16,518,205
Total equity		**13,672,569**	22,650,605
LIABILITIES			
Non-current liabilities			
Financial Liabilities			
Borrowings	14	**4,634,929**	5,543,316
Other financial liabilities	16	**424,923**	511,359
Provisions	17	**93,894**	87,578
Total non-current liabilities		**5,153,746**	6,142,253
Current liabilities			
Financial liabilities			
Borrowings	14	**21,629,017**	15,963,355
Trade payables	15	**37,305,528**	29,960,251
Other financial liabilities	16	**5,963,295**	5,553,142
Current tax liabilities (Net)	19	**177,852**	-
Other current liabilities	18	**5,647,931**	3,647,349
Provisions	17	**1,927,628**	1,378,153
Total current liabilities		**72,651,251**	56,502,250
Total liabilities		**77,804,997**	62,644,503
TOTAL EQUITY AND LIABILITIES		**91,477,566**	85,295,108

Corporate information **1**
Summary of significant accounting policies **2**
See accompanying notes to financial statements
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
Firm's registration no. 101118W

For and on behalf of the Board of Directors

Sanjay Kirloskar
Chairman
DIN : 00007885
Pune : 10 May 2019

Alok Kirloskar
Managing Director
DIN : 05324745
Pune : 10 May 2019

Abhijeet Bhagwat
Partner
Membership no. 136835
Pune : 10 May 2019

Sandeep Phadis
Company Secretary
Pune : 10 May 2019

C.M. Mate
Group CFO
Pune : 10 May 2019

Kirloskar Brothers International B.V.
Consolidated statement of profit and loss for the fifteen months ended 31 March 2019
(Amounts in Euro)

Particulars	**Notes**	**Fifteen months ended 31 March 2019**	Year ended 31 December 2017
Revenue from Operations	20	**149,271,797**	112,638,719
Other Income	21	**577,922**	2,196,248
Total Income		**149,849,719**	114,834,967
Expenses			
Cost of materials consumed	22	**91,204,143**	57,385,844
Purchases of Stock-in-Trade		**670,553**	4,763,403
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	22	**(6,012,065)**	473,923
Employee benefits expense	23	**38,678,525**	30,723,720
Finance costs	24	**2,376,310**	1,791,120
Depreciation and amortization expense	25	**2,438,694**	2,187,355
Other expenses	26	**32,753,767**	22,897,020
Total expenses		**162,109,927**	120,222,385
Profit/(loss)before exceptional items and tax		**(12,260,208)**	(5,387,418)
Exceptional items		**-**	-
Profit / (loss) before tax		**(12,260,208)**	(5,387,418)
Tax expenses	19		
(1) Current tax		**211,364**	313,526
(2) Deferred tax		**(182,297)**	(861,755)
(3) Short provision of earlier years		**-**	(1,362)
Total Tax expenses		**29,067**	(549,591)
Profit after tax but before share in profit of joint venture company for the year		**(12,289,275)**	(4,837,827)
Share in profit of joint venture company		**6,630**	
Profit for the year		**(12,282,645)**	**(4,837,827)**
Other Comprehensive Income	27		
Foreign currency translation reserve		**515,221**	(1,044,173)
Foreign exchange loss for subsidiary company		**-**	-
Total Comprehensive Income for the period (Comprising Profit (Loss) and Other Comprehensive Income for the period)		**(11,774,054)**	(5,882,000)
Earnings per equity share	32		
(1) Basic		**(62.04)**	(78.89)
(2) Diluted		**(62.04)**	(78.89)

Corporate information	1
Summary of significant accounting policies	2

See accompanying notes to financial statements

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
Firm's registration no. 101118W

Abhijeet Bhagwat
Partner
Membership no. 136835
Pune : 10 May 2019

For and on behalf of the Board of Directors

Sanjay Kirloskar
Chairman
DIN : 00007885
Pune : 10 May 2019

Alok Kirloskar
Managing Director
DIN : 05324745
Pune : 10 May 2019

Sandeep Phadis
Company Secretary
Pune : 10 May 2019

C.M. Mate
Group CFO
Pune : 10 May 2019

Kirloskar Brothers International B.V.

Consolidated statement of Changes in Equity for the period ended 31 March 2019

(Amounts in Euro)

A. Equity Share Capital

Balance as at 1 January 2017	Changes in equity share capital during the year	Balance as at 31 December 2017
6,132,400	-	6,132,400

Balance as at 31 December 2017	Changes in equity share capital during the year	Balance as at 31 March 2019
6,132,400	13,675,200	**19,807,600**

B. Other Equity

	Foreign currency translation reserve	Reserves and Surplus			Total
		Capital redemption reserve	Securities Premium Reserve	Retained Earnings	
Balance as at 1 January 2017	1,022,403	59,859	6,075,247	10,742,696	17,900,205
Additional shares issued during the year			4,500,000		4,500,000
Profit for the year				(4,837,827)	(4,837,827)
Other comprehensive income	(1,044,173)			-	(1,044,173)
Balance as at 31 December 2017	(21,770)	59,859	10,575,247	5,904,869	16,518,205
Additional shares issued during the year			(10,575,200)		(10,575,200)
Profit for the year				(12,282,645)	(12,282,645)
Other comprehensive income	515,221				515,221
Impact of transition to Ind AS 115				(310,612)	(310,612)
Balance as at 31 March 2019	**493,451**	**59,859**	**47**	**(6,688,387)**	**(6,135,030)**

Kirloskar Brothers International B.V.
Consolidated Statement of Cash Flow for the year ended 31 March 2019
(Amounts in Euro)

	Particulars	Year ended 31 March 2019	Year ended 31 December 2017
A	**Cashflows from Operating Activities**		
	Net Profit before taxation and extraordinary items	**(12,260,208)**	(5,387,418)
	Adjustments for :-		
1	Depreciation / Amortization	**2,438,694**	2,187,355
2	Loss on sale of Fixed Assets	**21,597**	-
3	Profit on sale of Fixed Assets		
4	Bad debts written off	**111,940**	112,410
5	Advances, deposits and claims written off		
6	Provision for doubtful debts, advances and claims	**134,485**	163,184
7	Interest Income	**(18,877)**	(4,167)
8	Interest Expenses	**2,376,310**	1,791,120
9	Unrealised exchange (gain)/ Loss - Others	**(29,500)**	(2,140,792)
	Operating Profit Before Working capital changes	**(7,225,561)**	(3,278,308)
	Adjustments for :-		
1	(Increase)/ decrease in inventories	**(5,670,953)**	(3,463,199)
2	(Increase)/ decrease in trade receivables, other financial assets and other assets	**(2,181,835)**	(5,168,667)
3	Increase/ (decrease) in trade payable	**7,345,277**	5,367,365
4	Increase/ (decrease) in financial and non-financial liabilities	**2,237,675**	960,361
5	Increase/ (decrease) in provisions	**555,791**	(406,873)
	Cash Generated from Operations	**(4,939,606)**	(5,989,321)
6	Income Tax (Paid) / Refunded	**317,785**	645,540
	Net Cash from Operating Activities	**(4,621,821)**	(5,343,781)
B	**Cashflows from Investing Activities**		
1	Purchase of Fixed Assets and investment property	**(972,010)**	(1,320,942)
2	Sale of Fixed Assets and investment property	**884,207**	(90,411)
3	Interest Received	**18,877**	(44,452)
4	Loan to joint venture	**(11,378)**	-
	Net Cash from Investment Activities	**(80,302)**	(1,455,805)
C	**Cash Flows from Financing Activities**		
1	Proceeds from borrowing	**21,629,017**	3,587,047
2	Repayment of borrowings	**(16,785,118)**	(2,818,634)
3	Interest Paid	**(2,376,310)**	(1,791,120)
4	Proceeds from issuance of share capital	**3,100,000**	4,500,000
	Net Cash used in Financing Activities	**5,567,589**	3,477,293
	Net Increase in Cash and Cash Equivalents	**865,466**	(3,322,295)
1	Cash & Cash Equivalents and other bank balances at begining of period	**2,335,261**	5,657,556
2	Cash & Cash Equivalents and other bank balances at end of period (refer note 11)	**3,200,727**	2,335,261

Note 1. Previous year's figures are regrouped wherever necessary to make them comparable with the Current year.
2. Cash flow is prepared using indirecte method.

As per our report of even date attached

For M/s P.G.Bhagwat
Chartered Accountants
Firm's registration no. 101118W

Abhijeet Bhagwat
Partner
Membership no. 136835
Pune : 10 May 2019

For and on behalf of the Board of Directors

Sanjay Kirloskar
Chairman
DIN : 00007885
Pune : 10 May 2019

Alok Kirloskar
Managing Director
DIN : 05324745
Pune : 10 May 2019

Sandeep Phadnis
Company Secretary
Pune : 10 May 2019

C.M. Mate
Group CFO
Pune : 10 May 2019

Notes to the consolidated financial statements for the fifteen months ended 31 March 2019 (All amounts are in Euros, unless otherwise stated)

1. Corporate information

Kirloskar Brothers International B.V. (KBIBV) is company formed in Netherlands and owned by Kirloskar Brothers Limited, India (KBL). KBIBV owns 100% share of all foreign subsidiary component 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 pump, 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, other relevant provisions of the Act and amendments thereof issued by Ministry of Corporate Affairs in exercise of the powers conferred by section 133 of the Companies Act, 2013.

In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment.

The financial statements were authorised for issue by the Board of Directors on May 10, 2019.

2.2 Basis of consolidation and equity accounting

i) 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 B.V. 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 KBIBV	Reporting Date (*)
SPP Pumps Limited	United Kingdom	100%	31 March 2019
Kirloskar Brothers(Thailand) Limited	Thailand	100%	31 March 2019
SPP Pumps (MENA) L.L.C.	Egypt	100%	31 March 2019
Kirloskar Pompen B.V	The Netherlands	100%	31 March 2019
Micawber 784 Proprietary Limited	South Africa	100%	31 March 2019
SPP Pumps International Proprietary Limited (Erstwhile Kirloskar Brothers International PTY Limited)	South Africa	100%	31 March 2019
SPP France S A S	France	100%	31 March 2019
SPP Pumps Inc.	USA	100%	31 March 2019
SPP Pumps South Africa Proprietary Limited	South Africa	100%	31 March 2019
Braybar Pumps Limited	South Africa	100%	31 March 2019
Rodelta Pumps International BV	The Netherlands	100%	31 March 2019
Rotaserve Overhaul B.V.	The Netherlands	100%	31 March 2019
SPP Pumps Real Estate LLC	U S A	100%	31 March 2019

SyncroFlo Inc.	U S A	100%	31 March 2019
SPP Pumps (Asia) Ltd	Thailand	100%	31 March 2019
SPP Pumps (Singapore) Ltd	Singapore	100%	31 March 2019
Rotaserve Limited	United Kingdom	100%	31 March 2019

Statutory reporting date for all companies above is 31 December 2018, however in order to have uniform reporting date for the purpose of consolidation with that of holding company, Kirloskar Brothers Limited, 3 months management drawn financials for all companies are prepared and consolidated financials for Kirloskar Brothers International B.V are prepared for 15 months ended 31 March 2019.

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.

ii) 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.

iii) 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.

iv) Equity accounted investees

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.

Investment in joint venture has been accounted under the equity method as per Ind AS 28 ‘Investments in Associates and Joint Ventures’, whereby the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the Company’s share of net assets of the Joint Venture.

The excess of cost to the Company of its investment in the Joint Venture entity is set off against the adjusted carrying amount of the investment. Distributions received from the Joint Venture reduce the carrying amount of the investment.

The consolidated statement of profit and loss reflects the Company’s share of the results of the operations of the Joint Venture Company.

Unrealised profits and losses resulting from transactions between the Joint Venture and the Company are eliminated to the extent of Company’s interest in the joint venture.

v) 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 in accordance with Ind AS. on each reporting date.

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

Defined benefit plan – plan assets	Fair value

2.4 Functional and presentation currency

These financial statements are presented in Euro which is the Group's functional currency. All financial information is presented in euro, 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 pension plan, and the present value of the 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. 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.
3. Impairment of receivables - The impairment provisions for financial receivables disclosed are based on assumptions about risk of default and expected loss rates.
4. Estimation of provision for warranty claims – key assumptions about likelihood and magnitude of an outflow of resources.

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 conditions 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. . However, these items are considered to be realizable at cost if the finished products in which they will be used, are expected to be sold at or above cost.
- 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.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- 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. Assessment of net-realizable value is made at regular intervals and at change of events.

2.7 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash 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.

While other bank balances include, margin money, deposits, earmarked balances with bank, and other bank balances with bank which have restrictions on repatriation.

2.8 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method, adjusting the profit before tax excluding exceptional items for the effects of:

(1) changes during the period in inventories and operating receivables and payables transactions of a non-cash nature;
(2) non-cash items such as depreciation, provisions, unrealised foreign currency gains and losses; and
(3) all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as at the date of Balance Sheet.

2.9 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.

Own manufactured PPE is capitalized at cost including an appropriate share of overheads. Administrative and other general overhead expenses that are specifically attributable to construction or acquisition of PPE or bringing the PPE to working condition are allocated and capitalized as a part of the cost of the PPE.

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.

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 and in some cases based on the technical evaluation made by the management.

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.

Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

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.

Amortization on impaired assets is provided by adjusting the amortization charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

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.

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

Group recognises revenue when it transfers control over a good or service to a customer i.e. when it has fulfilled all 5 steps as given by Ind AS 115.

Revenue is measured at transaction price i.e. Consideration to which an Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and after considering effect of variable consideration, significant financing component.

For contracts with multiple performance obligations, transaction price is allocated to different obligations based on their standalone selling price. In such case, revenue recognition criteria are applied for each separately to different performance obligations, in order to reflect the substance of the transaction and revenue is recognised separately for each obligation as and when the recognition criteria for the component is fulfilled.

Sale of goods
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Amounts included in revenue are net of returns, trade allowances, rebates, goods and service tax, value added taxes.

Rendering of services
Revenue is recognized over time as the services are provided. The stage of completion for determining the amount of revenue to recognize is assessed based on surveys of work performed.
If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

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 Group recognizes revenue equal to actual cost.

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 stand-alone price basis between various obligations of a contract.
For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and

recognized profits (or recognized losses, as the case may be), the surplus is shown as the amount due to customers.

For contracts where the aggregate of contract costs incurred to-date and recognized profits (or recognized losses, as the case may be) exceed progress billing, the deficit is shown as the amount due from customers.

Amounts received before the related work is performed are disclosed in the Balance Sheet as a liability towards advance received. Amounts billed for work performed but yet to be paid by the customer are disclosed in the Balance Sheet as trade receivables.

The amount of retention money held by the customers is disclosed as part of other current assets and is reclassified as trade receivables when it becomes due for payment.

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

Interest receivable on customer dues is recognised as income in the Statement of Profit and Loss on accrual basis provided there is no uncertainty towards its realisation.

Other items of income are accounted as and when the right to receive such income arises and it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

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 period are recognised in the statement of profit and loss of the period.

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 has no further payment obligations once the contributions have been paid to various social security plans. The contributions are recognised as employee benefit expenses when they are due.

Defined Benefit Plans

The pension scheme for Kirloskar Brothers (Thailand) Limited 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 of a maturity period equivalent to the weighted average maturity profile of the defined benefit obligations 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.

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 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.

Contingent liability

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.

2.18 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.

- **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 capitalized 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.

2.19 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.

2.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- 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.

2.21 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)

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 the trade 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 amortization.

Derecognition

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

2.22 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 (if any).

2.23 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.

Group operates in single reporting segment of ‘Fluid Machinery and Systems’

2.24 Recent accounting pronouncement

Standards issued but not yet effective

Ind AS 116 was notified by Ministry of Corporate Affairs in March 2019 and Ind AS 116 will come in force from financial year beginning from 1 April 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company is currently evaluating the requirements of Ind AS 116 and its impact on the financial statements.

Kirloskar Brothers International B.V.
Consolidated notes to accounts
Note 3 : Property, Plant and Equipment , Goodwill and Other Intangible assets
(Amounts in Euro)

	Tangible Assets						Intangible Assets			Goodwill
	Land Free hold	Buildings	Plant & Equipment	Furniture & Fixtures	Vehicles	Total	Computer software	Trade marks, Patents, Intelletual property rights	Total	
Gross Block										
As at 1 January 2017	2,352,133	9,544,619	10,423,164	6,142,352	307,397	28,769,665	268,040	2,163,218	2,431,258	862,655
Additions	-	146,747	905,532	313,328		1,365,607	90,276	7,361	97,637	-
Disposals/ imapairment	-	-	(18,384)	(44,639)		(63,023)			-	(35,170)
Exchange difference	(20,059)	(849,268)	(628,683)	(148,280)	(8,900)	(1,655,190)	(7,204)	(106,168)	(113,372)	(124,519)
As at 31 December 2017	**2,332,074**	**8,842,098**	**10,681,629**	**6,262,761**	**298,497**	**28,417,059**	**351,112**	**2,064,411**	**2,415,523**	**702,966**
Additions	12,778	24,363	510,261	417,523	7,085	972,010			-	
Disposals / impairment		(25,633)	(144,137)	(5,476)		(175,246)	(63)	(374,931)	(374,994)	(467,021)
Exchange difference	127,392	228,445	844,670	(243,128)	(14,297)	943,082	(1,286)	7,744	6,458	2,049
As at 31 March 2019	**2,472,244**	**9,069,273**	**11,892,423**	**6,431,680**	**291,285**	**30,156,905**	**349,763**	**1,697,224**	**2,046,987**	**237,994**
Depreciation/ Amortisation										
As at 1 January 2017	-	1,974,265	5,669,309	5,039,868	211,344	12,894,786	166,186	738,831	905,017	101,203
Charge for the year	-	281,668	1,294,525	173,282	37,775	1,787,250	75,941	324,166	400,107	
Depreciation on disposal	-	-	(18,384)	(44,639)		(63,023)			-	
Exchange difference	-	(120,301)	(499,470)	1,043	(6,526)	(625,254)	(3,948)	(42,180)	(46,128)	(101,203)
As at 31 December 2017	**-**	**2,135,632**	**6,445,980**	**5,169,554**	**242,593**	**13,993,759**	**238,179**	**1,020,817**	**1,258,996**	**-**
Charge for the year	-	350,366	1,222,078	457,517	35,092	2,065,053	40,960	332,681	373,641	-
Depreciation on disposal	-	(5,852)	(105,245)	(4,727)		(115,824)	(63)		(63)	-
Exchange difference	-	103,878	655,900	(241,667)	(12,185)	505,926	(7,316)	(17,356)	(24,672)	-
As at 31 March 2019	**-**	**2,584,024**	**8,218,713**	**5,380,677**	**265,500**	**16,448,913**	**271,760**	**1,336,142**	**1,607,902**	**-**
Net block										
As at 1 January 2017	2,352,133	7,570,354	4,753,855	1,102,485	96,052	15,874,879	101,854	1,424,387	1,526,240	761,452
As at 31 December 2017	2,332,074	6,706,466	4,235,649	1,093,207	55,904	14,423,300	112,933	1,043,594	1,156,527	702,966
As at 31 March 2019	**2,472,244**	**6,485,249**	**3,673,710**	**1,051,003**	**25,785**	**13,707,991**	**78,003**	**361,082**	**439,085**	**237,994**

1) Property, plant and equipment pledged as security
Refer note 14, for details of assets pledged as security.

2) Impairment loss
During the year, group has impaired goodwill arising out of consoldiation of Kirloskar Pompen B.V. of Euro 467,021. In PY group has impaired goodwill of Kirloskar Brothers Thailand Limited of Euro 35170.

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Note 4 : Capital work-in-progress

Particulars	31 March 2019	31 December 2017
Capital work-in-progress	7,621	12,051
	7,621	12,051

Capital work-in-progress represent construction works of the SPP Mena's fire system in Egypt.

Note 5 : Financial Assets : Investments

Sr No	Particulars	Face Value	Partly Paid / Fully paid	Extent of holding (%)		Amount in Euros	
				31 March 2019	31 December 2017	31 March 2019	31 December 2017
Non-current investments							
I	**Investment in equity shares (unquoted)**						
a	**Investment in Joint venture**						
1	SPP Neziv Pump Solution Proprietary Limited *	Rand 100	Fully Paid	49%	-	6,392	3

* Ignored for consolidation on equity method as is immaterial.

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Note 6 : Financial Assets: Trade receivables

Particulars		31 March 2019	31 December 2017
	Current		
	Unsecured, considered good	**31,150,891**	28,084,227
	Doubtful	**892,198**	734,741
		32,043,089	28,818,968
Less:	Provision for doubtful receivables	**892,198**	734,741
	Total trade receivables	**31,150,891**	28,084,227

Note 7 : Financial Assets: Loans

Particulars		31 March 2019	31 December 2017
	Non-current		
(a)	**Security deposits**		
	Unsecured, considered good	**170,299**	136,329
	Doubtful	**-**	-
		170,299	136,329
Less:	Provision for doubtful deposits	**-**	**-**
		170,299	136,329
(b)	**Advances to joint venture company**	**11,378**	
		181,677	**136,329**
	Current		
(a)	**Security deposits**		
	Unsecured, considered good	**43,156**	49,051
	Doubtful	**-**	-
		43,156	49,051
Less:	Provision for doubtful deposits	**-**	-
		43,156	49,051
	Total loans	**224,833**	185,380

Note 8 : Financial Assets: Others

Particulars		31 March 2019	31 December 2017
	Current		
(a)	**Forward contract asset**	**-**	624,417
(b)	**Miscellaneous claims**	**47,818**	22,604
	Total other financial asset	**47,818**	647,021

Note 9 : Other non-financial assets

Particulars		31 March 2019	31 December 2017
	Non-current		
(a)	**Prepaid expenses**	**170,299**	411,333
(b)	**Advance income tax**	**1,879**	
		172,178	411,333
	Current		
(a)	**Advances to supplier and others**		
	Unsecured, considered good	**966,849**	1,328,455
(b)	**Prepaid expenses**	**1,481,553**	1,960,707
(c)	**Gross amount due from customer(Refer note 30)**	**(0)**	4,130,702
(d)	**Retentions**	**7,600,938**	2,930,655
(e)	**Statutory claims receivable**	**2,216,842**	2,545,366
		12,266,182	12,895,885
	Total other assets	**12,438,360**	13,307,218

Note 10 : Inventories

Particulars		31 March 2019	31 December 2017
(a)	Raw Materials *	**12,845,727**	13,186,839
(b)	Work-in-progress	**11,630,300**	5,686,179
(c)	Finished goods	**512,619**	1,674,799
(d)	Stock-in-trade	**3,013,601**	1,783,477
	(Mode of valuation refer note 2.5)		
		28,002,247	22,331,294

* Include goods in transit -Euro 1,947,978 (Euro 346,498)
Refer note 14 for details of inventory pledged as security

Note 11 a : Cash and cash equivalents

Particulars		31 March 2019	31 December 2017
(a)	**Balances with bank**	**3,073,767**	2,219,521
(b)	**Cash on hand**	**15,514**	4,294
		3,089,281	2,223,815

Note 11 b : Other bank balances

Particulars		31 March 2019	31 December 2017
(a)	**Margin money with the bank** (against the bank guarantees issued- not free for disposal)	**111,446**	111,446
		111,446	111,446

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Note 12: Equity share capital

Particulars	31 March 2019	31 December 2017
Issued & subscribed		
Issued Share Capital 198,076 (61724) equity shares of EUR 100 each (EUR 100 each)*	**19,807,600**	6,172,400
Fully Paid up Share Capital 198,076 (61724) equity shares of EUR 100 each (EUR 100 each)*	**19,807,600**	5,972,400
Partly Paid up Share Capital Nil (2000) equity shares of EUR 100 each (EUR 100 each), EUR 80 each (EUR 80 each) paid	**-**	160,000
	19,807,600	6,132,400

a) Terms/rights attached to equity shares
The company has only one class of equity shares, having par value of EUR 100 per share. Each holder of equity share is entitled to one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b) Reconciliation of share capital

	31 March 2019		31 December 2017	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	**61,324**	**6,132,400**	61,324	6,132,400
Shares Issued during the year	**31,000**	**3,100,000**	-	-
Shares Issued during the year for share premium	**105,752**	**10,575,200**		
Shares outstanding at the end of the year	**198,076**	**19,807,600**	61,324	6,132,400

c) Details of shareholder holding more than 5% shares

	31 March 2019		31 December 2017	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Brothers Limited	**198,076**	**100**	61324	100

* During the preceding five years no shares were bought back or allocated as fully paid up pursuant to contract without payment being received in cash or as bonus shares.

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Note 13: Other equity

	Particulars	31 March 2019	31 December 2017
(a)	**Capital redemption reserve**	**59,859**	59,859
(b)	**Securities premium reserve**		
	Opening balance	**10,575,247**	6,075,247
	Add: Securities premium credited on shares issue		4,500,000
	Less: Utilised for issue of shares during the year	**(10,575,200)**	
		47	10,575,247
(c)	**Foreign currency translation reserve (FCTR)**		
	Opening balance	**(21,770)**	1,022,403
Add:	Current year transfer	**515,221**	(1,044,173)
		493,451	(21,770)
(d)	**Retained Earnings**		
	Opening balance	5,904,869	10,742,696
Add:	Total comprehensive income for the year (Excluding FCTR)	(12,282,645)	(4,837,827)
Less:	Impact of transition to Ind AS 115	(310,612)	
	Closing balance	(6,688,388)	5,904,869
		(6,135,031)	16,518,205

Note 14 : Financial Liabilities: Borrowings

	Particulars	31 March 2019	31 December 2017
	Non-current		
	Secured		
(a)	Term loan from Standard bank of South Africa Limited (Terms of loan : Loan is issued against security of vehicles @ 0.25% to 1% below prime interest rate for period of 3 to 5 years)	**-**	20,123
(b)	Term loan from ABSA bank (Terms of loan : Loan is issued against security of building @ (9% p.a. and is repayable over 10 years)	**710,139**	880,587
(c)	Term loan from ICICI bank (Terms of loan : Loan is issued against corporate guarantee issued by holding company, Kirloskar Brothers Limited. It carries interest rate as Euribor + 2.5% and repayable over 66 months from August 2015.)	**1,087,760**	1,622,616
(d)	Term loan from other banks (Terms of loan : Loan is issued against security of Land, building, equipments @ 2.698% to 4.650%. The loan is repayable in equated installments spread over the period till June 2023)	**3,078,887**	3,018,826
(e)	Finance lease obligations (Terms of loan: Loan is secured against the assets purchased under lease obligation. Installments are repayable till December 2020 and carries market rate of interest)	**156,544**	312,942
		5,033,330	5,855,094
	Less- Current maturities of non current borrowings disclosed under the head 'Other Current financial Liabilities (refer note 16)	**398,401**	311,778
	Total non-current borrowings	**4,634,929**	5,543,316

	Current		
	Secured		
1)	**Loans repayable on demand from bank**		
(i)	Cash / export credit facilities and bank overdrafts Terms of loan: Group has short term facilities carrying variable interest rate (2% to 6% p.a. based on prime lending rates) from various banks. Loans are secured primarily against the trade receivables/ inventory.	**9,472,583**	6,487,253
(ii)	Working capital demand loans	**8,225,412**	5,105,048
	Terms of loan: Group has working capital demand loans from CITI ICICI and ABSA bank carrying interest @ 2% to 4.65% per annum. Loans are secured primarily against the trade receivables/ inventory and corporate guarantee issued by Holding company, Kirloskar Brothers India.		
(iii)	Finance lease obligations (Terms of loan: Loan is secured against the motor vehicles purchased under lease obligation and carries market rate of interest)	**1,970**	
	Total secured loan - Current	**17,699,965**	11,592,301
	Unsecured		
(a)	**Short term loans and advances from banks** (Terms of loan: Subsidiary company Kirloskar Brothers Thailand has unsecured repayable on demand loan carrying interest rate between 2.77% to 3.55%)	**3,929,052**	4,371,054
	Total unsecured loan - Current	**3,929,052**	4,371,054
	Total current borrowings	**21,629,017**	15,963,355
	Total borrowings	**26,263,946**	21,506,671

Note 15 : Financial Liabilities: Trade payables

Particulars	**31 March 2019**	31 December 2017
Current Total outstanding dues of creditors other than micro enterprises & small enterprises	**37,305,528**	29,960,251
Total trade payable	**37,305,528**	29,960,251

Terms and conditions of the above financial liabilities:

1) Trade payables are non-interest bearing and are normally settled on 60 to 90 days terms

Note 16: Other financial liabilities

	Particulars	31 March 2019	31 December 2017
	Non-current		
(a)	**Financial guarantee contracts and other liabilities**	424,923	511,359
		424,923	511,359
	Current		
(a)	**Current maturities of long term loan (refer note 14)**	**398,401**	311,778
(b)	**Others**		
	Salary & Reimbursements	**1,692,843**	1,564,980
	Provision for expenses	**2,996,012**	3,343,614
	Financial guarantee contracts	**543,117**	332,770
	Forward contract liabilities	**332,922**	
		5,564,894	5,241,364
		5,963,295	5,553,142
	Total other financial liabilities	**6,388,218**	6,064,501

Terms and conditions of the above financial liabilities:

1) Other payables are non-interest bearing and have an average term of six months.
2) For explanations on the Group's credit risk management processes, (refer note 36)

Note 17: Provisions

Particulars	31 March 2019	31 December 2017
Non-current		
Provision for employee benefits		
Pension scheme (refer note 34)	**93,894**	87,578
	93,894	87,578
Current		
Other provision (refer note 33)		
Provision for product warranty	**951,470**	722,238
Provision for loss on long term contracts	**976,158**	655,915
	1,927,628	1,378,153
Total provisions	**2,021,522**	1,465,731

Note 18: Other current liabilities

	Particulars	31 March 2019	31 December 2017
	Current		
	Gross amount due to customer	**-**	
(a)	Advance from customer	**4,756,175**	3,407,655
(b)	Contribution towards social security plans	**607,894**	135,120
(c)	Statutory dues	**283,862**	104,574
		5,647,931	3,647,349
	Total other non-financial liabilities	**5,647,931**	3,647,349

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Note 20: Revenue from Operations

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
(a)	**Sale of products** (Including project revenue (Refer note 30 for construction contract revenue)	**148,965,180**	110,770,801
(b)	**Sale of services**	**155,655**	1,246,861
		149,120,835	112,017,662
(c)	**Other operating revenues**	**150,962**	621,057
		149,271,797	112,638,719

Note 21: Other Income

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
(a)	**Interest Income on financial assets at amortised cost** From customers and others (at effective rate of interest)	**18,877**	4,167
(b)	**Foreign exchange gain (net)**	**-**	2,081,980
(c)	**Other non-operating income**	**559,045**	110,101
		577,922	2,196,248

Note 22: Cost of materials consumed , Changes in inventories of finished goods, Stock-in -Trade and work-in-progress

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
(a)	**Raw materials including packaging materials consumed**	**91,204,143**	57,385,844
(b)	**Changes in inventories of finished goods, work-in-progress and stock-in-trade**		
	Opening Stock		
	Finished goods	**1,674,799**	645,607
	Work-in- progress	**5,686,179**	7,258,190
	Stock in trade	**1,783,477**	1,714,581
		9,144,455	9,618,378
	Closing Stock		
	Finished goods	**512,619**	1,674,799
	Work-in- progress	**11,630,300**	5,686,179
	Stock in trade	**3,013,601**	1,783,477
		15,156,520	9,144,455
		(6,012,065)	473,923

Note 23: Employee benefits expense

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
(a)	**Salaries, wages and bonus**	**35,543,438**	27,950,562
(b)	**Defined contribution plans/ social security expenses**	**2,550,349**	2,198,522
(c)	**Defined benefit plans (Refer note 34)**	**46,013**	60,094
(d)	**Welfare expenses**	**538,725**	514,542
		38,678,525	30,723,720

Note 24: Finance costs

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
(a)	**Interest expense**	**1,626,361**	1,115,038
(c)	**Other borrowing costs** (includes bank guarantee commission, LC charges, loan processing charges)	**749,949**	676,082
		2,376,310	1,791,120

Note 25: Depreciation and amortization expense

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
(a)	Depreciation on property, plant and equipment	**2,065,053**	1,787,248
(b)	Amortization of intangible assets	**373,641**	400,107
		2,438,694	2,187,355

Note 26: Other expenses

Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
Stores and spares consumed	**2,035,572**	1,482,695
Processing charges	**1,178,952**	813,283
Power & fuel	**1,218,724**	909,367
Repairs and maintenance		
Plant and machinery	**340,911**	279,210
Buildings	**387,630**	29,185
Other	**326,465**	339,853
Rent	**1,816,938**	1,689,501
Rates and taxes	**581,151**	424,329
Travel and conveyance	**3,510,143**	2,966,511
Communication expenses	**643,279**	571,509
Insurance	**1,807,042**	1,061,610
Royalties and fees	**149,691**	85,784
Freight and forwarding charges	**4,019,319**	2,428,141
Brokerage and commission	**2,984,652**	1,780,231
Advertisements and publicity	**987,033**	959,700
Provision for product warranty	**355,451**	256,925
Loss on sale/disposal of fixed assets	**21,597**	-
Provision for doubtful debts	**134,485**	163,184
Bad debts written off	**111,940**	112,410
Auditor's remuneration (refer note 31)	**508,839**	408,379
Professional, consultancy and legal expenses	**1,760,541**	1,954,325
Security services	**54,410**	49,761
Computer services	**1,295,885**	626,105
Stationery & Printing	**246,225**	321,942
Training course expenses	**190,087**	137,071
Outside labour charges	**1,311,129**	794,983
Foreign exchange loss (net)	**1,054,554**	-
Other miscellaneous expenses	**3,721,122**	2,251,026
	32,753,767	22,897,020

Note 27: Other Comprehensive Income

Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
Items that will be reclassified to profit or loss		
Foreign currency translation reserve	**515,221**	(1,044,173)
Foreign exchange loss for subsidiary company		-
	515,221	(1,044,173)

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Note 19 : Income tax

(1) The major components of income tax expense for the period ended 31 December 2017 and 31 December 2017 are:

(a) Profit or loss

Particulars	**31 March 2019**	31 December 2017
Current income tax:		
Current income tax charge	**211,364**	313,526
Adjustments in respect of current income tax of previous year	**-**	(1,362)
Deferred tax:		
Relating to origination and reversal of temporary differences	**(182,297)**	(861,755)
Income tax expense reported in the statement of profit or loss	**29,067**	(549,591)

(b) Balance sheet

Deferred tax

Reflected in balance sheet as	**31 March 2019**	31 December 2017
Deferred tax asset	**2,013,607**	1,756,684
Deferred tax liability		
Net Deferred tax asset	**2,013,607**	1,756,684

(c) Current tax

Reflected in balance sheet as	**31 March 2019**	31 December 2017
Current tax Asset/(liability)	**(177,852)**	353,176
	(177,852)	353,176

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Note 28: Contingent liabilities

Particulars	31 March 2019	31 December 2017
Other money for which the company is contingently liable for		
Value Added Tax / Sales Tax / Withholding tax / Salary tax (Matter Subjudice)	**24,513**	24,970
	24,513	24,970

Note 29: Commitments

Particulars	31 March 2019	31 December 2017
Letter of credit outstandings	**775,265**	331,473
Lease and rent commitment due in-		
Less than 1 year	**946,424**	657,972
1 to 5 years	**1,440,582**	1,530,433
More than 5 years	**-**	2,206
	2,387,006	2,190,611
	3,162,271	2,522,084

Note 30: Construction contracts

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
a)	Contract Revenue recognised as revenue for the year	**-**	8,308,302
b)	Advances received	**-**	476,484
		-	
c)	Gross amount due from customer	**-**	
	Contract costs incurred	**-**	6,463,542
	Recognised Profits less recognised Losses	**-**	1,844,760
	Less: Progress Billing	**-**	(4,177,600)
		-	4,130,702

Note 31: Remuneration to auditors

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
a)	Audit Fees	**465,556**	371,315
b)	Tax Audit Fees	**7,757**	11,410
c)	Other services	**730**	20,190
d)	Other services	**30,530**	
e)	Expenses reimbursed	**4,266**	5,464
	Total audit fees	**508,839**	408,379

Note 32: Earnings per share (Basic and diluted)

	Particulars	Fifteen months ended 31 March 2019	Year ended 31 December 2017
a)	Profit for the year before tax	**(12,260,208)**	(5,387,418)
	Less : Attributable Tax thereto	**29,067**	(549,591)
	Profit after Tax	**(12,289,275)**	(4,837,827)
b)	Weighted average number of equity shares used as denominator	**198,076**	61,324
c)	Basic and diluted earning per share of nominal value of Euro 100- each	**(62.04)**	(78.89)

Note 33: Movement in provision

Particulars	Provision for product warranty	Provision for long term contracts	Total
Carrying amount as at 1 January 2017	**1,164,483**	-	1,164,483
Provision during the year 2017	**256,925**	655,916	912,841
Amount utilized during the year 2017	**(651,526)**	-	(651,526)
Foreign exchange difference	**(47,645)**	-	(47,645)
Carrying amount as at 31 December 2017	**722,237**	655,916	1,378,153
Provision during the year 2018	**503,833**	381,326	885,159
Amount utilized during the year 2018	**(259,106)**	(61,084)	(320,190)
Amount reversed during the year 2018	**(40,787)**		(40,787)
Foreign exchange difference	**25,293**		25,293
Carrying amount as at 31 December 2018	**951,470**	976,158	**1,927,628**

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Note 34: Employee benefits

i. Defined Contribution Plans:

Amount of Euro 25,50,349 & (Euro 21,98,522) is recognised as an expense and included in Employees benefits expense (Note-23 in the Profit and Loss Statement.)

ii. Defined Benefit Plans:

Subsidiary company, Kirloskar Brothers (Thailand) Limited operates Legal Severance Pay Plan as provided in accordance with the Labor Protection Act in Thailand. Details of the plan are as-

The scheme is applicable to all employees immediately upon hire. Company has obligations to pay the legel severrance pay towards its employees when they reach a retirement age. It is determined based on the employee's age, length of employment services and salary increase rate, among etc as -

Years of service	Amount of LSP
≥ 120 days but <1 year	1 month of plan salary
1 year to <3 years	3 months of plan salary
3 years to <6 years	6 months of plan salary
6 years to <10 years	8 months of plan salary
10 years or more	10 months of plan salary

a) The amounts recognised in Balance Sheet are as follows:

Particulars	Unfunded pension plan 31 March 2019	Unfunded pension plan 31 December 2017
Present Value of Defined Benefit Obligation	93,894	87,578
	93,894	87,578

b) The amounts recognised in the statement of profit and Loss are as follows:

Particulars	Unfunded pension plan	Unfunded pension plan
	31 March 2019	31 December 2017
Current Service Cost	48,581	58,425
Net Interest (income)/expenses	3,487	1,663
	52,068	60,088

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows

Particulars	Unfunded pension plan	Unfunded pension plan
	31 March 2019	31 December 2017
Balance of the present value of Defined benefit Obligation at the beginning period	87,578	29,818
Interest expenses	3,487	1,663
Current Service Cost	48,581	58,425
Present value of obligation as at the end of the period		
Benefits paid	(54,482)	
Forex difference	8,730	(668)
	93,894	87,578

d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

Discount rate as at 31-12-2018 : 2.6625%
Salary growth rate : 4.0%
Attrition rate: 15%-30%

e) Sensitivity analysis

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligaion(PVO). Sensitivity analysis is done by varying (increasing/ decresing) one parameter at a time and studying its impact

Change in assumption	As at 31 March 2019	As at 31 December 2017
Discount rate		
Increase by 1% to	(12,227)	(77,721)
Decrease by 1% to	13,804	(96,251)
	-	
Salary increase rate	-	
Increase by 1% to	14,910	(96,223)
Decrease by 1% to	(13,372)	(77,954)
	-	
Withdrawal rate	-	
Increase by 1% to	(12,534)	(77,383)
Decrease by 1% to	16,019	(95,659)

(Amounts in Euro)

Note 35: Fair Value Measurements

As per assessments made by the management fair values of all financial instruments carried at amortised costs (except as specified below) are not materially different from their carrying amounts since they are either short term nature or the interest rates applicable are equal to the current market rate of interest.

Sr.No	Particulars	Carrying value	
		31 March 2019	31 December 2017
	Levelled at Level 2		
	Financial asset		
a)	**Carried at fair value through Profit and loss (FVTPL)**		
	Forward contract asset	**-**	624,417
b)	**Carried at amortised cost**		
	Trade receivable	**31,150,891**	28,084,227
	Security deposits	**224,833**	185,380
	Other financial assets	**47,818**	22,604
	Cash and cash equivalent	**3,089,281**	2,223,815
	Other bank balances	**111,446**	111,446
	Advances to joint venture	**11,378**	
		34,635,647	31,251,889
	Levelled at Level 2		
	Financial Liabilities		
a)	**Carried at fair value through Profit and loss (FVTPL)**		
	Forward contract liability	**332,922**	-
b)	**Carried at amortised cost**		
	Borrowings	**26,263,946**	21,506,671
	Current borrowings at fixed rate of interest	**398,401**	311,778
	Trade payable	**37,305,528**	29,960,251
	Other current financial liabilities	**4,688,854**	4,908,594
	Financial guarantee contracts	**968,040**	844,129
		69,957,691	57,531,423

Note 36: Financial risk management policy and objectives

Group's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance group's operations. Group's principal financial assets include trade and other receivables, security deposits and cash and cash equivalents, that derive directly from its operations.

In order to minimise any adverse effects on the financial performance of the group, it has taken various measures. This note explains the source of risk which the entity is exposed to and how the entity manages the risk and impact of the same in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Aging analysis, External credit rating (wherever available)	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities and guarantees given by ultimate holding company,' Kirloskar Brothers Limited, India'
Market risk- Foreign Currency Risk	Recognised financial assets and liabilities not denominated in fuctional currency of respective subsidiary	Sensitivity Analysis	Management follows established risk management policies, including use of derivatives like foreign exchange forward contracts, where the economic conditions match the group's policy.
Market risk- Interest rate risk	Long-term borrowings at variable rates	Sensitivity Analysis	Balanced loan portfolio of fixed and variable rate of interest loan

The group's risk management is carried out by management, under policies approved by the board of directors. Group's treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

(A) Credit Risk

Credit risk in case of the Group arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

Credit risk management

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. To manage this, the group periodically assesses the reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly.

The group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward looking information such as:

(i) Actual or expected significant adverse changes in business,
(ii) Actual or expected significant changes in the operating results of the counterparty,
(iii) Financial or economic conditions that are expected to cause a significant change to counterparty's ability to meet its obligations,
(iv) Significant increases in credit risk on other financial instruments of the same counterparty,
(v) Significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

The group provides for expected credit loss in case of trade receivables and security deposits when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the group. The group categorises a receivable for provision for doubtful debts/write off when a debtor fails to make contractual payments on case to case basis. Where loans or receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Provision for expected credit loss

Financial assets for which loss allowance is measured using Lifetime Expected Credit Losses (ECL)

Exposure to Risk	**31 March 2019**	31 December 2017
Security Deposits	224,833	185,380
Less : Expected Loss	-	-
	224,833	185,380
Other financial asset	47,818	22,604
Less : Expected Loss	-	-
	47,818	22,604

Trade receivbale

	31 March 2019	31 December 2017
Trade Receivables		
Neither past due nor impaired	9,653,010	8,625,103
Past due but not impaired		
Less than 180 days	18,908,168	15,940,462
181 - 365 days	1,860,228	3,518,662
More than 365 days	729,485	
Total	**31,150,891**	28,084,227

Reconciliation of loss provision

	Trade receivables
Loss allowance as at 1 January 2017	571,557
Changes in loss allowance	163,184
Loss allowance as at 31 December 2017	734,741
Changes in loss allowance	157,457
Loss allowance as at 31 March 2019	**892,198**

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(B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is carried out in accordance with practice and limits set by the group. In addition, the group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Exposure to Risk	**31 March 2019**	31 December 2017
Interest bearing borrowings		
On demand	**21,629,017**	15,963,355
Less than 365 days	**398,401**	311,778
More than 365 days	**4,634,929**	5,543,316
Total	**26,662,347**	21,818,449
Other financial liabilities		
On demand		
Less than 365 days	**5,564,894**	5,241,364
More than 365 days	**424,923**	511,359
Total	**5,989,817**	5,752,723
Trade payables		
On demand		
Less than 365 days	**37,305,528**	29,960,251
More than 365 days		
Total	**37,305,528**	29,960,251

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Note 36: Financial risk management policy and objectives *(continued)*

(C) Foreign Currency Risk
The group is exposed to foreign exchange risk mainly through its sales to overseas customers and purchases from overseas suppliers in various foreign currencies.

The group evaluates exchange rate exposure arising from foreign currency transactions and the group follows established risk management policies, including use of derivatives like foreign exchange forward contracts to hedge exposure to foreign currency risk, where the economic conditions match the company's policy.

Foreign currency exposure :

Financial Assets	Currency	Amount in Foreign Currency		Amount in Euro	
		31 March 2019	31 December 2017	**31 March 2019**	31 December 2017
Trade Receivables	GBP	**7,351**	13,193	**8,218**	14,512
	USD	**15,662,935**	18,628,768	**13,679,419**	15,517,764
	SGD	**598,234**	68,401	**394,834**	43,777
	CZK	**-**	41,303		1,652
	AED	**282,868**	1,689,489	**67,888**	405,477
Bank Accounts	GBP	**551**	177,732	**616**	195,505
	USD	**1,507,530**	3,585,136	**1,316,620**	2,986,418
	CNY	**-**	10,032	**-**	1,304
	SGD	**60,885**	26,054	**40,184**	16,675
	VND	**24,651,624**	50,089,903	**937**	1,954
	AED	**7,546**		**1,811**	-
Amount Due from Employees	SGD	**621**	1,505	**-**	963

Financial Liabilities	Currency	Amount in Foreign Currency		Amount in Euro	
		31 March 2019	31 December 2017	**31 March 2019**	31 December 2017
Trade Payables	GBP		359,480	**-**	395,428
	USD	1,140,195	7,137,442	**995,803**	5,945,489
	SGD		8,362	**-**	5,352
	CZK		331,000		13,240
	AED	80,860	610,742	**19,406**	146,578

Currency wise net exposure (assets - liabilities)

Particulars	Amount in Foreign Currency		Amount in Euro	
	31 March 2019	31 December 2017	**31 March 2019**	31 December 2017
GBP	**7,902**	(168,555)	**8,834**	(185,411)
USD	**16,030,270**	15,076,462	**14,000,236**	12,558,693
CNY	**-**	10,032	**-**	1,304
SGD	**659,740**	87,598	**435,019**	56,063
VND	**24,651,624**	50,089,903	**937**	1,954
CZK	**-**	(289,697)	**-**	(11,588)
AED	**209,554**	1,078,747	**50,293**	258,899

Sensitivity Analysis

Currency	Amount in Euro		Sensitivity %
	31 March 2019	31 December 2017	
GBP	8,834	(185,411)	1.65%
USD	14,000,236	12,558,693	3.99%
CNY	-	1,304	2.38%
SGD	435,019	56,063	1.78%
VND	937	1,954	2.35%
CZK	-	(11,588)	0.04%
AED	50,293	258,899	4.06%
Total	**14,495,318**	12,679,914	

Currency	Impact on profit (strengthen)		Impact on profit (weakening)	
	31 March 2019	31 December 2017	**31 March 2019**	31 December 2017
GBP	**(146)**	3,059	**146**	(3,059)
USD	**(558,609)**	(501,092)	**558,609**	501,092
CNY	**-**	(31)	**-**	31
SGD	**(7,743)**	(998)	**7,743**	998
VND	**(22)**	(46)	**22**	46
CZK	**-**	5	**-**	(5)
AED	**(2,042)**	(10,511)	**2,042**	10,511

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Note 37 : Capital management

a) Risk Management

The group's objectives when managing capital are to
'-safeguard it's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
'-Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
In case of financial difficulties, the ultimate holding company, provides financial support through infusion of additional equity and issuing corporate guarantees to banks for facilitating additional borrowing facilities.

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet).
The gearing ratios were as follows:

	31 December 2018	31 December 2017
Loans and borrowings	26,662,348	21,818,449
Less: Cash and cash equivalents and other bank balances	3,200,727	2,335,261
Net debt	23,461,621	19,483,188
Equity	13,672,569	22,650,605
Capital and net debt	37,134,190	42,133,793
Gearing ratio	63	46

Note 38 : Impact of transition to Ind AS 115

Ind AS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced Ind AS 18 Revenue, Ind AS 11 Construction Contracts and related interpretations. Under Ind AS 115, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The company has adopted Ind AS 115 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for 2017-18 has not been restated – i.e. it is presented, as previously reported, under Ind AS 18, Ind AS 11 and related interpretations.

Additionally, the disclosure requirements in Ind AS 115 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to Ind AS 115 on retained earnings at 1 January 2018

Retained earnings	**Amt**
Adjustment for variable consideration (including liquidated damages/ extended warranty)	310,612
	310,612

Note 38 : Others

a) Current period's figure include impact of 15 months ended 31 March 2019 and hence same are not comparable with yearly figures of 2018. The change reporting period is made, in order to have common reporting period as that of holding company, Kirloskar Brothers Limited.

b) During the fifteen months ended 31 March 2019, Kirloskar Brothers Limited has invested additional amount of Euro 31,00,000 by way of additional share capital.

c) During the year KBI BV has made further participation by share capital/ share premium contributions in its subsidiary companies namely

SPP Pumps Limited - Euro 1,194,730
SPP International Propritary Limited - Euro 200,000

d) During the current year KBI BV has converted share premium of Euro 10,575,200 into additional shares of Euro 100 each.

e) Previous years figures have be regrouped, wherever necessary.