

Thales Reliance Defence Systems limited

Accounts for the period ended on March 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of **Thales Reliance Defence Systems Limited**
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thales Reliance Defence Systems Limited ("the Company"), which comprise the balance sheet as at March 31, 2019, and the statement of Profit and Loss (including other comprehensive income/expense), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 Company as at March 31, 2019, and loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *ICAI's Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the *ICAI's Code of Ethics*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Those Board of Directors are also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A' a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The financial statements dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

This section has been intentionally left blank

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company does not have any pending litigations which would impact its financial position.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S. N. Dhawan & Co LLP**
Chartered Accountants
(ICAI Registration No. 000050N/N500045)

Pankaj Walia
Partner
Membership No. 509590

Place: New Delhi
Date: 24 April 2019

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. In respect of its fixed assets (comprising property, plant and equipment and intangible assets):
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets comprising of property, plant and equipment.
 - b. The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
 - c. According to the information and explanations given to us and the records examined by us and based on the examination relevant documents provided to us, there are no freehold immovable properties (which are included under the head 'property, plant and equipment) are held in the name of the Company.
- ii. The Company only has service work in progress during the period. Therefore, the provisions of the clause 3(ii) of the Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- iv. The Company has not granted any loans, made investments or provided guarantees and hence, reporting under clause (iv) of the CARO 2016 is not applicable.
- v. According to the information and explanations given to us, the Company has not accepted any deposits during the year and does not have any unclaimed deposits as at March 31, 2019 and therefore,
- vi. According to the information and explanations given to us, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- vii. According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company is regular in depositing undisputed statutory dues including provident fund, income-tax, duty of customs, Goods and Services Tax, cess and other material statutory dues, as applicable, to the appropriate authorities.
 - b. There were no undisputed amounts payable in respect of provident fund, income-tax, duty of customs, Goods and Services Tax, cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.
 - c. There are no dues of income-tax, duty of customs, Goods and Services Tax and cess as at March 31, 2019 on account of disputes.
- viii. In our opinion and according to the information and explanations given to us, The Company has not taken any borrowings, loans or borrowings from banks, financial institutions and government and has not issued any debentures.

- ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid /provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the CARO 2016 is not applicable.
- xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **S. N. Dhawan & Co LLP**
Chartered Accountants
(ICAI Registration No. 000050N/N500045)

Pankaj Walia
Partner
Membership No. 509590

Place: New Delhi
Date: 24 April 2019

**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 2 (f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)**

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

We have audited the internal financial controls with reference to financial statements of Thales Reliance Defence Systems Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls with reference to financial statements issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls with reference to financial statements (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A Company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use,

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
BALANCE SHEET AS AT MARCH 31, 2019

| | Note No. | As At March 31, 2019 |
|---|-------------|-----------------------------|
| Assets | | Rs. / Hundreds |
| 1 Non-current assets | | |
| a. Property, plant and equipment | 2 | 4,49,951.08 |
| b. Capital work in progress | 2 | 1,52,917.25 |
| c. Financial assets | | |
| i. Other financial assets | 3 | 1,898.01 |
| d. Other non - current assets | 4 | 40,331.45 |
| Total non-current assets | | <u>6,45,097.79</u> |
| 2 Current assets | | |
| a. Inventories | 5 | 78,407.07 |
| b. Financial assets | | |
| i. Cash and cash equivalents | 6 | 15,35,897.73 |
| ii. Other financial assets | 3 | 7,859.59 |
| c. Other current assets | 4 | 95.06 |
| Total current assets | | <u>16,22,259.45</u> |
| Total assets | | <u>22,67,357.24</u> |
| Equity and liabilities | | |
| 1 Equity | | |
| a. Equity share capital | 7 | 1,01,000.00 |
| b. Other equity | 8 | (5,99,597.40) |
| Total equity | | <u>(4,98,597.40)</u> |
| 2 Share based amount pending allotment | 27 | 4,22,740.00 |
| 3 Liabilities | | |
| Non-current liabilities | | |
| a. Provisions | 9 | 678.98 |
| b. Income tax liabilities (net) | 10 | 576.01 |
| c. Other Non-current liabilities | 11 | 19,67,700.40 |
| Total non-current liabilities | | <u>19,68,955.39</u> |
| Current liabilities | | |
| a. Financial liabilities | | |
| i. Trade Payables | 12 | 2,94,766.20 |
| b. Provisions | 9 | 40.13 |
| c. Other Current liabilities | 13 | 79,452.92 |
| Total current liabilities | | <u>3,74,259.25</u> |
| Total liabilities | | <u>23,43,214.64</u> |
| Total equity and liabilities | | <u>22,67,357.24</u> |

The accompanying notes form an integral part of Financial Statements

As per our attached Report of even date

For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N / N500045

**For and on behalf of the Board of Directors of
Thales Reliance Defence Systems Limited**

Pankaj Walia
Partner
Membership No. 509590

Rajesh K Dhingra
Director
DIN : 03612092

Prem Chand Jain
Director
DIN :06664784

Place : New Delhi
Date : April 24, 2019

Place : New Delhi
Date : April 24, 2019

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD MARCH 1, 2018 TO MARCH 31, 2019

| | | Note No. | Period From March 01, 2018 To March 31, 2019 Rs. / Hundreds |
|-------------|--|-------------|--|
| I | Other income | 14 | 18,945.80 |
| | Total income | | 18,945.80 |
| II | Expenses | | |
| | Cost of service consumed | | 78,407.07 |
| | Changes in inventories of work-in-progress | 15 | (78,407.07) |
| | Employee benefits expense | 16 | 1,28,699.64 |
| | Depreciation and amortisation expense | 2 | 6,019.21 |
| | Other expenses | 17 | 4,78,898.44 |
| | Total expenses | | 6,13,617.29 |
| III | Loss before tax | | (5,94,671.49) |
| IV | Tax Expense | | |
| | Current tax | 18 | 4,925.91 |
| | Deferred tax | | - |
| | | | 4,925.91 |
| V | Loss after tax | | (5,99,597.40) |
| VI | Other comprehensive income | | - |
| VII | Total comprehensive loss for the period | | (5,99,597.40) |
| VIII | Earnings per equity share | 19 | |
| | Equity shares of face value Rs. 100 each | | |
| | Basic (Rs. Per share) | | (1,160.59) |
| | Diluted (Rs. Per share) | | (1,160.59) |

The accompanying notes form an integral part of Financial Statements

As per our attached Report of even date
For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N / N500045

**For and on behalf of the Board of Directors of
Thales Reliance Defence Systems Limited**

Pankaj Walia
Partner
Membership No. 509590

Rajesh K Dhillon
Director
DIN : 03612092

Premchand Jain
Director
DIN :06664784

Place : New Delhi
Date : April 24, 2019

Place : New Delhi
Date : April 24, 2019

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF CASH FLOWS FOR THE PERIOD MARCH 1, 2018 TO MARCH 31, 2019

| | Period From March 01, 2018 To March 31, 2019 |
|--|--|
| | Rs. / Hundreds |
| A Cash flow from operating activities | |
| Profit before tax | (5,94,671.49) |
| Adjustments for: | |
| Depreciation | 6,019.21 |
| Interest Income on Fixed Deposits | (18,945.80) |
| Leave encashment | 719.11 |
| Unrealised (Gain)/Loss on exchange fluctuation (net) | 10,401.24 |
| Stamp Duty & Filing Expenses | 37,379.97 |
| Cash generated from operations before working capital changes | (5,59,097.76) |
| Adjustments for: | |
| (Increase)/ Decrease in Financial Assets & Other Assets | (50,184.11) |
| (Increase)/decrease in Inventories | (78,407.07) |
| Increase/ (Decrease) in Financial Liabilities & Other Liabilities | 23,31,518.28 |
| Cash generated from operations | 16,43,829.34 |
| Income taxes paid | (4,349.90) |
| Net cash used in Operating Activities | 16,39,479.44 |
| B Cash flow from Financing Activities | |
| Purchase of Property, Plant and Equipment | (6,08,887.54) |
| Interest received on Fixed Deposit | 18,945.80 |
| Net cash generated from /(used in) Investing activities | (5,89,941.74) |
| C Cash flow from Financing Activities | |
| Stamp Duty & Filing Expenses | (37,379.97) |
| Proceeds from issuance of Equity Shares | 1,01,000.00 |
| Proceeds from Share based payment amount pending allotment | 4,22,740.00 |
| Net Cash generated from Financing Activities | 4,86,360.03 |
| Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C) | 15,35,897.73 |
| Cash and Cash Equivalents as at the beginning of the period | - |
| Cash and Cash Equivalents as at end of the period | 15,35,897.73 |
| Net Increase/(Decrease) as disclosed above | 15,35,897.73 |

- 1) The statement of cash flow has been prepared under the indirect method as set out in Ind AS 7 on statements of cash flow.
2) Figures in brackets indicate cash outflow.

The accompanying notes form an integral part of Financial Statements

As per our attached Report of even date

For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N / 1500045

**For and on behalf of the Board of Directors of
Thales Reliance Defence Systems Limited**

Pankaj Walia
Partner
Membership No. 509590

Rajesh K Dhindra
Director
DIN : 03612092

Premchand Jain
Director
DIN : 06664784

Place : New Delhi
Date : April 24, 2019

Place : New Delhi
Date : April 24, 2019

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD MARCH 1, 2018 to MARCH 31, 2019

A. Equity Share Capital

Equity shares of Rs. 100 each issued, subscribed and fully paid

Balance as at March 1, 2018

Issue of equity share capital

Balance as at March 31, 2019

| No. of shares | Rs. / Hundreds |
|-----------------|--------------------|
| - | - |
| 1,01,000 | 1,01,000.00 |
| 1,01,000 | 1,01,000.00 |

B. Other Equity

Balance as at March 1, 2018

Loss for the period

Other Comprehensive Income for the period

Balance as at March 31, 2019

| Retained Earnings | Items of other comprehensive income | Total |
|----------------------|-------------------------------------|----------------------|
| Rs. / Hundreds | Rs. / Hundreds | Rs. / Hundreds |
| (5,99,597.40) | - | (5,99,597.40) |
| - | - | - |
| (5,99,597.40) | - | (5,99,597.40) |

The accompanying notes form an integral part of Financial Statements

As per our attached Report of even date

For S.N. Dhawan & Co LLP

Chartered Accountants

Firm Registration No. 000050N / N500045

**For and on behalf of the Board of Directors of
Thales Reliance Defence Systems Limited**

Pankaj Walia

Partner

Membership No. 509590

Rajesh K Dhingra

Director

DIN : 03612092

Premchand Jain

Director

DIN : 06664784

Place : New Delhi

Date : April 24, 2019

Place : New Delhi

Date : April 24, 2019

Thales Reliance Defence Systems Limited

Background of the Company

Thales Reliance Defence Systems Limited ('the Company') is a joint venture between Reliance Aerostructure Limited and Thales India Private Limited with an equity participation of 51:49. The Company is engaged to carry on business for air borne radar systems and electronic warfare system for aircraft.

The Company is a public limited Company incorporated and domiciled in India having the identification number U29305MH2018PLC305829. The Company was incorporated on March 1, 2018 and has its registered office at 502, Plot No. 91/94, Prabhat Colony, Santacruz (East), Mumbai - 400 055.

These financial statements of the Company for the period ended March 31, 2019 were authorized for issue by the board of directors on April 24, 2019.

1. Significant Accounting Policies:

Basis of Preparation, Measurement and Significant Accounting Policies

Compliance with Indian Accounting Standards (Ind AS)

The Financial statements of the Company comply in all material aspects with Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with rules notified under the relevant provisions of the Act.

Basis of Preparation

These financial statements for the period ended March 31, 2019 are the first financial statements of the Company.

Financial Statements have been prepared in accordance with the requirements of the information and disclosures mandated by Schedule III, applicable Ind AS, other applicable pronouncements and regulations

These financial statements are presented in 'Indian Rupees', which is also the Company's functional currency and all amounts, are rounded to the nearest Hundreds with two decimals, unless otherwise stated.

Basis of Measurement

The financial statements have been prepared on the historical cost convention on accrual basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into the account the characteristics of the asset or liability if market participants would take those characteristics into account while pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17 'Leases' and measurements that have some similarities to fair value but are not fair value, such as value in use in Ind AS 36 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices in active markets for identical assets or liabilities.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is categorised under level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is categorised under level 3.

b) Use of Estimates and Judgements

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, at the date of financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the management becomes aware of the changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

c) Current versus Non-current Classification

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

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- Held primarily for the purpose of trading

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- Held primarily for the purpose of trading

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

recognized in Other Comprehensive Income or Statement of Profit and Loss are also recognized in Other Comprehensive Income Or Statement of Profit and Loss, respectively).

f) Financial Instruments

Financial Assets

Initial Recognition and Measurement

All Financial Assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of Financial Assets, which are not at Fair Value Through Profit or Loss, are adjusted to the fair value on initial recognition. Purchase and sale of Financial Assets are recognized using trade date accounting.

Subsequent measurement

(i) Financial Assets measured at Amortised Cost (AC)

A Financial Asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial Assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial Assets measured at Fair Value Through Profit or Loss (FVTPL)

A Financial Asset which is not classified in any of the above categories are measured at FVTPL.

(iv) Impairment of Financial Assets

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of Financial Assets other than those measured at Fair Value Through Profit and Loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument) which is calculated as the difference between their carrying amount and the present value of the expected future cash flows discounted at the original effective interest rate.

Financial Liabilities

(i) Initial Recognition and Measurement

All Financial Liabilities are recognized at fair value and in case of borrowings, net of directly attributable cost. Fees of recurring nature are directly recognised in the Statement of Profit and Loss as finance cost.

(ii) Subsequent Measurement

Financial Liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derecognition of Financial Instruments

The Company derecognizes a Financial Asset when the contractual rights to the cash flows from the Financial Asset expire or it transfers the Financial Asset and the transfer qualifies for derecognition under Ind AS 109. A Financial liability (or a part of a Financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

recognized in Other Comprehensive Income or Statement of Profit and Loss are also recognized in Other Comprehensive Income Or Statement of Profit and Loss, respectively).

f) Financial Instruments

Financial Assets

Initial Recognition and Measurement

All Financial Assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of Financial Assets, which are not at Fair Value Through Profit or Loss, are adjusted to the fair value on initial recognition. Purchase and sale of Financial Assets are recognized using trade date accounting.

Subsequent measurement

(i) Financial Assets measured at Amortised Cost (AC)

A Financial Asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial Assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets and the contractual terms of the Financial Asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial Assets measured at Fair Value Through Profit or Loss (FVTPL)

A Financial Asset which is not classified in any of the above categories are measured at FVTPL.

(iv) Impairment of Financial Assets

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of Financial Assets other than those measured at Fair Value Through Profit and Loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument) which is calculated as the difference between their carrying amount and the present value of the expected future cash flows discounted at the original effective interest rate.

Financial Liabilities

(i) Initial Recognition and Measurement

All Financial Liabilities are recognized at fair value and in case of borrowings, net of directly attributable cost. Fees of recurring nature are directly recognised in the Statement of Profit and Loss as finance cost.

(ii) Subsequent Measurement

Financial Liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derecognition of Financial Instruments

The Company derecognizes a Financial Asset when the contractual rights to the cash flows from the Financial Asset expire or it transfers the Financial Asset and the transfer qualifies for derecognition under Ind AS 109. A Financial liability (or a part of a Financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Derivatives embedded in a host contract that is an asset within the scope of Ind AS 109 “Financial Instruments” are not separated. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Derivatives embedded in all other host contract are separated only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and are measured at fair value through profit or loss. Embedded derivatives closely related to the host contracts are not separated.

g) Property, Plant and Equipment:

Property, Plant and Equipment assets are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to bringing the assets to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be reliably measured.

Property, Plant and Equipment which are significant to the total cost of that item of Property, Plant and Equipment and having different useful life are accounted separately.

Other Indirect Expenses incurred relating to project, net of income earned during the project development stage prior to its intended use, are considered as pre - operative expenses and disclosed under Capital Work - in - Progress.

Property, Plant and Equipment are eliminated from the financial statements, either on disposal or when retired from active use.

Gains and losses on disposals or retirement of assets are determined by comparing proceeds with carrying amount. These are recognized in the Statement of Profit and Loss.

Depreciation method

Property, Plant and Equipment have been depreciated under the Straight- Line Method as per the useful life and in the manner prescribed in Part "C" Schedule II to the Act.

Premium on leasehold land is depreciated over the period of lease term.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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.

The Company charges 100% depreciation on any Property, Plant and Equipment item whose unit base value is less than Rs. (Hundred) 50.

Intangible Assets

Intangible assets are stated at cost of acquisition net of tax/duty credits availed, if any, less accumulated amortisation / depletion. Cost includes expenditure directly attributable to the acquisition of asset.

Amortisation method

Intangible assets capitalized are amortized on straight line basis over the period of 3 years.

h) Inventories

Inventories consist of work in progress which is valued at cost of underlying services consumed.

i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

j) Contingent Liabilities and Contingent Assets

Contingent liabilities are possible obligation that arise from past events and whose existence will only be confirmed by that occurrence or non-occurrence of one or more future events not wholly within the control of the Company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgement of the management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate. Contingent assets are neither recognised nor disclosed in the financial statements.

k) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise of cash on hand, demand deposits with Banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

l) Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

m) Impairment of Non-financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period

n) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Post-employment obligations

The Company operates the following post-employment schemes:

- (i) defined benefit plans such as gratuity; and
- (ii) defined contribution plans such as provident fund, superannuation fund etc.

Defined Benefit Plans

Gratuity obligations

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income (OCI). Net interest expense on the net defined liability is computed by applying the discount rate, used to measure the net defined liability, to the net defined liability at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined Contribution plans

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company makes annual contributions based on a specified percentage of each eligible employee's salary.

Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

o) Income tax and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transition that affects neither the taxable profit nor the accounting profit

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

Income tax expense for the year comprises of current tax and deferred tax. Income tax is recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised in 'Other comprehensive income' or directly in equity, in which case the tax is recognised in 'Other comprehensive income' or directly in equity, respectively.

p) Earnings per Share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

q) Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially rests with the lessor are recognised as operating lease. Lease rentals under operating lease are recognised in the Statement of Profit and Loss on a straight-line basis.

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.

As a lessee:

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership have been classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

r) Segment Reporting

Segments are reported in a manner consistent with the internal reporting provided to the management. The board of directors of the Company assess the financial performance and position of the Company and make strategic decisions.

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

2. Property, Plant and Equipment

| Cost | Leasehold Land | Capital Work in Progress |
|------------------------------|--------------------|--------------------------|
| | Rs. / Hundreds | Rs. / Hundreds |
| Balance as at March 1, 2018 | - | - |
| Additions | 4,55,970.29 | 1,52,917.25 |
| Balance as at March 31, 2019 | 4,55,970.29 | 1,52,917.25 |
| Accumulated Depreciation | | |
| Balance as at March 1, 2018 | - | - |
| Depreciation expense | 6,019.21 | - |
| Balance as at March 31, 2019 | 6,019.21 | - |
| Net Carrying Amount | 4,49,951.08 | 1,52,917.25 |

Note:

Leased Assets

The Lease period for leasehold land is 30 years with option for renewal. The Company considers leasehold land as finance lease.

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

As at
March 31, 2019
Rs. / Hundreds

3 Other financial assets

(unsecured, considered good, unless otherwise stated)

I. Non-Current

| | |
|----------------------|-----------------|
| a. Security deposits | 1,898.01 |
| | <u>1,898.01</u> |

II. Current

| | |
|--------------------------------|-----------------|
| a. Security deposits | 4,948.87 |
| b. Interest accrued receivable | 2,910.72 |
| | <u>7,859.59</u> |

4 Other assets

(unsecured, considered good, unless otherwise stated)

I. Non-Current

| | |
|-------------------------|------------------|
| a. Advance to employees | 240.00 |
| b. Advance to vendors | 40,091.45 |
| | <u>40,331.45</u> |

II. Current

| | |
|-------------------------|--------------|
| a. Advance to employees | 95.06 |
| | <u>95.06</u> |

5 Inventories

(At cost)

| | |
|---------------------|------------------|
| a. Work in progress | 78,407.07 |
| | <u>78,407.07</u> |

6 Cash and cash equivalents

Balances with banks in -

| | |
|---|---------------------|
| a. Current Account | 2,35,897.73 |
| b. Deposit with original maturity of less than three months | 13,00,000.00 |
| | <u>15,35,897.73</u> |

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

7 Equity Share Capital

| | As At March 31, 2019 No. of shares | As At March 31, 2019 Rs. / Hundreds |
|---|--|---|
| Authorised | | |
| Equity shares of Rs. 100 each | 37,82,000 | 37,82,000.00 |
| | 37,82,000 | 37,82,000.00 |
| Issued, subscribed and fully paid up | | |
| Equity Shares of Rs. 100 each | 1,01,000 | 1,01,000.00 |
| Total | 1,01,000 | 1,01,000.00 |

a. Movement in Equity Share capital

| | Period From March 01, 2018 To March 31, 2019 | |
|---|--|--------------------|
| Equity Shares | No. of shares | Rs. / Hundreds |
| Balance as at the beginning of the period | - | - |
| Add: Increase during the period | 1,01,000 | 1,01,000.00 |
| Balance as at the end of the period | 1,01,000 | 1,01,000.00 |

b. Terms/Rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The Company declares and pay dividend in Indian Rupees. The dividend proposed by the Board of Directors is subjected to the approval of Shareholders in the ensuing Annual General Meeting.

c. Shares held by Holding Company*

| | As at March 31, 2019 No. of Shares |
|---|--|
| Reliance Aerostructure Limited and its nominees | 51,510 |
| Shares held by Joint Venture Investor * : Thales India Private Limited | 49,490 |

* Holding Company and the Joint Venture investor both jointly control the Company in terms of Ind AS 24- "Related party disclosures"

d. Details of shareholders holding more than 5% shares in the Company

| | As at March 31, 2019 | |
|---|----------------------|--------|
| Name of shareholder | No. of Shares | % held |
| Reliance Aerostructure Limited and its nominees | 51,510 | 51.0% |
| Thales India Private Limited | 49,490 | 49.0% |

8 Other Equity

| | As at March 31, 2019 Rs. / Hundreds |
|-------------------------------|---|
| a. Retained Earnings | (5,99,597.40) |
| b. Other Comprehensive Income | - |
| | (5,99,597.40) |

Other Equity consists of Retained Earnings

| | |
|-------------------------------------|----------------------|
| Balance at the beginning of period | - |
| Loss for the period | (5,99,597.40) |
| Balance as at the end of the period | (5,99,597.40) |

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

As at
March 31, 2019
Rs. / Hundreds

| | | |
|-----------|---|---------------------|
| 9 | Provisions | |
| | I. Non-current | |
| | Provision for employee benefits | |
| | a. Compensated absences | 678.98 |
| | | <u>678.98</u> |
| | II. Current | |
| | Provision for employee benefits | |
| | a. Compensated absences | 40.13 |
| | | <u>40.13</u> |
| 10 | Income tax liabilities (net) | |
| | a. Tax payable | 576.01 |
| | | <u>576.01</u> |
| 11 | Other Non-current liabilities | |
| | a. Advance from Customers | 19,67,700.40 |
| | | <u>19,67,700.40</u> |
| 12 | Trade payables | |
| | a. Total outstanding dues of micro enterprises and small enterprises | - |
| | b. Total outstanding dues of other than micro enterprises and small enterprises | 2,94,766.20 |
| | | <u>2,94,766.20</u> |
| 13 | Other Current liabilities | |
| | a. Statutory dues | 64,906.46 |
| | b. Employee Payables | 14,546.46 |
| | | <u>79,452.92</u> |

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

| | Period From March 01, 2018 To March 31, 2019 Rs. / Hundreds |
|---|--|
| 14 Other income | |
| Interest income from other financial assets at amortised cost | |
| - Fixed deposits with Banks | 18,945.80 |
| | 18,945.80 |
| 15 Changes in inventories of work-in-progress | |
| Opening balance of work in progress | - |
| Closing balance of work in progress | 78,407.07 |
| Changes in inventories of work-in-progress | (78,407.07) |
| 16 Employee Benefit Expenses | |
| a. Salaries, Wages and Bonus | 1,25,029.66 |
| b. Contribution to Provident and Other Funds | 3,669.98 |
| | 1,28,699.64 |
| 17 Other Expenses | |
| a. Communication expenses | 1,209.64 |
| b. Audit fees | 3,500.00 |
| c. Travelling and conveyance | 71,344.66 |
| d. Seminar and training fees | 250.00 |
| e. Bank charges | 253.71 |
| f. Rates and taxes | 25.00 |
| g. Stamp duty and Fling fees | 37,379.97 |
| h. Business /Infra support services | 3,41,375.39 |
| i. Legal and professional charges | 10,670.55 |
| j. Postage and courier | 6.10 |
| k. Printing and stationery | 32.47 |
| l. Recruitment and joining expenses | 1,153.95 |
| m. Loss on foreign exchange fluctuations (net) | 10,401.24 |
| n. Licence, application and processing fees | 1,295.76 |
| | 4,78,898.44 |

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U51109HR2008PTC066578
NOTES TO FINANCIAL STATEMENTS

Period From
March 01, 2018
To March 31, 2019

Rs. / Hundreds

18 Income taxes

Current tax

For current period

4,925.91

4,925.91

Note: The Company has not recognised deferred tax asset on the unabsorbed losses as the Company has not yet commenced its business operation.

Income tax expense recognised in the statement of profit and loss

4,925.91

Reconciliation of tax expense and the accounting profit multiplied by prevailing income tax rate

Loss before tax

(5,94,671.49)

Income tax rate

26.00%

Calculated income tax expense

-

Income from other sources

18,945.80

Income tax rate

26.00%

Income tax expense

4,925.91

19 Earning per share

a. Basic earnings per share

(1,160.59)

b. Diluted earnings per share

(1,160.59)

i. The earnings and weighted number of equity shares used in the calculation of basic earnings per share are as follows:

Net profit attributable to the shareholders

(5,99,597.40)

Weighted average number of outstanding equity shares during the period

51,663

Basic earning per share

(1,160.59)

Diluted earning per share

(1,160.59)

20 Segment information

The Company is engaged in the business of assembly of radar and electronic warfare systems, which in context of Ind AS 108 is considered as the only business segment. Hence, the reporting requirements for segment disclosure as prescribed by Ind AS 108 are not applicable.

21 Commitments and contingencies

- a. The estimated amount of contracts remaining to be executed on capital amounts and not provided for (net of advances) amount to Rs. (In hundred). 2,34,882.00
- b. The Company has no other commitments, for purchase of goods and services and employee benefits, in normal course of business.
- c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- d. The Company does not have any pending litigations which would impact its financial position in its financial statements. Contingent liabilities Rs. Nil.
- e. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

22 Employee benefit plans

a. Defined contribution plans

The Company makes Provident Fund contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes. Employer's contribution to provident fund scheme recognised as expense in the Statement of Profit and Loss for the period are as under:

| | Period From March 01, 2018 To March 31, 2019 |
|---|---|
| | Rs. / Hundreds |
| Contribution to provident fund | 3,408.45 |
| Contribution to Employee Pension Scheme | 261.53 |
| | 3,669.98 |

**b. Defined benefit plan
Gratuity**

The Company has a defined benefit gratuity plan. Employee who have completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme of gratuity is unfunded.

In respect of the plan in India, the most recent valuation of the present value of defined benefit obligation were carried as at March 31, 2019 in which the present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit method.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the period are Nil.

23 Financial instruments

Period From
March 01, 2018
To March 31, 2019
Rs. / Hundreds

Categories of financial instruments

Financial Assets

Measured at Fair Value through Profit & Loss

Measured at amortised cost

Financial Assets

| | | |
|----|-----------------------------|--------------|
| a. | Security Deposits | 6,846.88 |
| b. | Interest Accrued Receivable | 2,910.72 |
| c. | Cash and Cash equivalents | 15,35,897.73 |

15,45,655.33

Financial Liabilities

| | | |
|----|----------------|-------------|
| a. | Trade Payables | 2,94,766.20 |
|----|----------------|-------------|

2,94,766.20

Measured at fair value through other comprehensive income

The Company does not have any assets and liabilities which need to category as 'fair value through profit and loss' and 'fair value through other comprehensive income'

Fair value hierarchy - Assets and liabilities which are measured at amortised cost for which fair values are disclosed here under

Period From
March 01, 2018
To March 31, 2019
Rs. / Hundreds

Financial Assets

Level 3

| | | |
|----|-----------------------------|--------------|
| a. | Security Deposits | 6,846.88 |
| b. | Interest Accrued Receivable | 2,910.72 |
| c. | Cash and Cash equivalent * | 15,35,897.73 |

15,45,655.33

Total Financial Assets

Financial Liabilities

Level 3

| | | |
|----|----------------|-------------|
| a. | Trade Payables | 2,94,766.20 |
|----|----------------|-------------|

2,94,766.20

Total Financial Liabilities

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

iii. Financial risk management objectives

In the course of its business, the Company is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments.

The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the board of directors. The risk management

- Create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- Achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

23 Financial instruments

a. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments.
 The Company is not exposed to any equity price risk.

(i) Exposure to Foreign Currency Risk

Rs. / Hundreds

Financial Liabilities

**As at
March 31, 2019**

| | |
|---|-------------|
| Balance with Bank in Foreign Currency (EUR) Account | 2,02,797.98 |
| | 2,02,797.98 |

Profit or loss is sensitive to changes in foreign exchange rates arising from foreign currency denominated financial instruments

Rs. / Hundreds

INR /EUR- Decrease by 6% *

9,034.65

* holding all other variables constant

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of now, the Company is not exposed to any interest risk.

(iv) Liquidity Risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per the requirements. The Company has sufficient cash flows to meet its financial obligations as and when they fall due.

Liquidity Risk - Table

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| As at March 31, 2019 | Less than 1 year | Between 1 year | Over 5 years | Rs. / Hundreds Total |
|------------------------------|------------------|----------------|--------------|-------------------------|
| Non-derivatives | | | | |
| Trade and Other Payables | 2,94,766.20 | - | - | 2,94,766.20 |
| Total non-derivatives | 2,94,766.20 | - | - | 2,94,766.20 |

23 Capital Risk Management

The Company considers the following components of its Balance Sheet to be manage capital:

Total equity – share capital, share premium and retained earnings,

The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to our shareholders. The capital structure of the group is based on management's judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim to translate profitable growth to superior cash generation through efficient capital management.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

24 Related Parties

a. List of related parties

i. Entities exercising the joint control
 Reliance Aerostructure Limited
 Thales India Private Limited

ii. Enterprises under the common control
 Reliance Infrastructure Limited
 Reliance Defence Limited
 Thales DMS France SAS
 BEL-Thales Systems Limited
 Reliance Transports and Travels Private Limited

iii. Key management personnel
 Mr. Prem Chand Jain, Chief Executive Officer (Wef 01 September 2018)

b. Transactions /balances outstanding with related parties

| | Entities exercising the joint control | | Enterprises under the common control | | Key management personnel | | Total |
|---|---|--------------|---|---|---|---|--------------|
| | Period From March 01, 2018 To March 31, 2019 Rs. / Hundred | | Period From March 01, 2018 To March 31, 2019 Rs. / Hundred | | Period From March 01, 2018 To March 31, 2019 Rs. / Hundred | Period From March 01, 2018 To March 31, 2019 Rs. / Hundred | |
| Transactions during the period | | | | | | | |
| Issue of Equity Share Capital | | | | | | | |
| - Reliance Aerostructure Limited | 1,01,000.00 | - | - | - | - | - | 1,01,000.00 |
| - Thales India Private Limited | 51,510.00 | - | - | - | - | - | 51,510.00 |
| | 49,490.00 | - | - | - | - | - | 49,490.00 |
| Purchase of Property Plant and Equipmnet | 4,22,740.00 | - | - | - | - | - | 4,22,740.00 |
| - Reliance Aerostructure Limited | 4,22,740.00 | - | - | - | - | - | 4,22,740.00 |
| Advance paid to Vendors | | | | | | | |
| -BEL-THALES Systems Limited | - | 80,888.85 | - | - | - | - | 80,888.85 |
| Advance received from Customers | | | | | | | |
| - Thales DMS France SAS | - | 19,67,700.40 | - | - | - | - | 19,67,700.40 |
| Reimbursement of expenses incurred by others on behalf of the Company | | | | | | | |
| - Reliance Defence Limited | - | 34,502.00 | - | - | - | - | 34,502.00 |
| Business/Infra Support Services | | | | | | | |
| - Reliance Defence Limited | - | 34,502.00 | - | - | - | - | 34,502.00 |
| - Thales India Private Limited | 2,85,939.31 | 55,436.08 | 55,436.08 | - | - | - | 3,41,375.39 |
| Travelling Expense | | | | | | | |
| - Reliance Transport & Travels Limited | - | 16,111.60 | 16,111.60 | - | - | - | 16,111.60 |
| Cost of service consumed | | | | | | | |
| -BEL-THALES Systems Limited | - | 16,111.60 | 16,111.60 | - | - | - | 16,111.60 |
| Managerial remuneration | | | | | | | |
| -Mr. Prem Chand Jain, Chief Executive Officer (Wef 01 September 2018) | - | 78,407.07 | 78,407.07 | - | - | - | 78,407.07 |
| | - | 31,709.84 | 31,709.84 | - | - | - | 31,709.84 |

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| | Entities exercising the joint control | | Enterprises under the common control | | Key management personnel | Total |
|---|---|---|---|---|--------------------------|--------------|
| | Period ended March 31, 2019 Rs. / Hundred | Period ended March 31, 2019 Rs. / Hundred | Period ended March 31, 2019 Rs. / Hundred | Period ended March 31, 2019 Rs. / Hundred | | |
| Outstanding balances | | | | | | |
| Other Assets - Non-Current | | | | | | |
| BEL-Thales Systems Limited | - | 10,570.67 | - | - | - | 10,570.67 |
| | | 10,570.67 | | | | 10,570.67 |
| Other Current liabilities | | | | | | |
| Mr. Prem Chand Jain | - | - | 6,88,904.00 | - | 6,88,904.00 | 6,88,904.00 |
| | | | 6,88,904.00 | | | 6,88,904.00 |
| Trade Payables | | | | | | |
| Reliance Defence Limited | 1,22,131.53 | 18,931.77 | - | - | - | 1,41,063.30 |
| Thales India Private Limited | 1,22,131.53 | 18,931.77 | - | - | - | 18,931.77 |
| | | | | | | 1,22,131.53 |
| Share based amount pending allotment | | | | | | |
| Reliance Aerostructure Limited | 4,22,740.00 | - | - | - | - | 4,22,740.00 |
| | 4,22,740.00 | | | | | 4,22,740.00 |
| Other Non-current liabilities | | | | | | |
| Thales DMS France SAS | - | 19,67,700.40 | - | - | - | 19,67,700.40 |
| | | 19,67,700.40 | | | | 19,67,700.40 |

25 Recent accounting pronouncement

The new Standards, amendments to Standards that are issued but not yet effective until the date of authorisation for issuance of the said financial statements are discussed below. The Company has not early adopted these amendments and intends to adopt when they become effective.

INDAS 116, 'Leases'

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17. The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019.

The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

- Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application.

The Company is in the process of evaluating the methods of transition and their the corresponding effect of adoption.

Ind AS 12, 'Appendix C, Uncertainty over Income Tax Treatments'

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition -

- i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. However, the effect on adoption of Ind AS Ind AS 12 Appendix C would be insignificant in financial statement.

Amendment to Ind AS 12 – Income taxes

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The effect of this amendment would be insignificant in the financial statements.

Amendment to Ind AS 19 – 'plan amendment, curtailment or settlement'

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company does not have any impact on account of this amendment.

THALES RELIANCE DEFENCE SYSTEMS LIMITED
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26 Going Concern

The Company has incurred net loss of Rs. /Hundred 599,597.40 during the period From March 01, 2018 to March 31, 2019, and as of that date the Company has negative net worth of Rs. /Hundred of 498,597.40. Pursuant to committed level of business to be undertaken in next year and also on account of financial support committed by the shareholders, these financial statements have been prepared on a going concern basis.

- 27 The amount of Rs./Hundred 422,740.00 represents the value of sublease from Reliance Aerostructure Limited and is considered to be part of equity contribution payable by Reliance Aerostructure Limited. The value has been determined based on a valuation been carried out by an independent valuer.
- 28 There are no events observed after the reported period which requires an adjustment or disclosure in the financial statements.
- 29 The Company was incorporated on March 01, 2018 and this being the first period from the date of incorporation up to March 31, 2019, comparative figures for the previous periods is not applicable and hence not presented in financial statements.

As per our attached report of even date

For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No.: 000050N /N500045

For and on behalf of the Board of Directors of
Thales Reliance Defence Systems Limited

Pankaj Walia
Partner
Membership No. 509590

Place : New Delhi
Date : April 24, 2019

Rajesh K Dhinara
Director
DIN : 03612092

Place : New Delhi
Date : April 24, 2019

Premchand Jain
Director
DIN :06664784

Place : New Delhi
Date : April 24, 2019