

Audit Report [Audit opinion]

To: Management and Board of Kalpataru Power Transmission Sweden AB

We have audited the accompanying special purpose financial information of Kalpataru Power Transmission Sweden AB (Group) as of March 31, 2020 and for the year then ended on pages 1 to 21 of the accompanying financial reporting package including notes, significant accounting policies and disclosures of Kalpataru Power Transmission Sweden AB (Group). This special purpose financial information has been prepared solely to enable Kalpataru Power Transmission Limited to prepare its consolidated financial statements.

Management's responsibility for the special purpose financial information

Management is responsible for the preparation of this special purpose financial information in accordance with policies and instructions contained in Kalpataru Power Transmission limiteds accounting manual and for such internal control as management determines is necessary to enable the preparation of special purpose financial information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. International Standards on Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose financial information 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, made by management, as well as evaluating the overall presentation of the special purpose financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying special purpose financial information for Kalpataru Power Transmission Sweden AB (Group) as of Year-End March 31, 2020 and for the year then ended has been prepared, in all material respects in accordance with the policies and instructions contained in the report. Significantly, the significant accounting policies are in line with International Financial Reporting Standards.

Restriction on use and distribution

This special purpose financial information has been prepared for purposes of providing information to Kalpataru Power Transmission Limited to enable it to prepare the consolidated financial statements of the group. As a result, the special purpose financial information is not a complete set of financial statements of Kalpataru Power Transmission Sweden AB (Group) in accordance with International Financial Reporting Standards. The financial information may, therefore, not be suitable for another purpose.

This report is intended solely for Management and Board of Kalpataru Power Transmission Sweden AB and should not be used by or distributed to other parties .

Gothenburg 2020-05-11

Grant Thornton Sweden AB

Magnus Leijon
Authorized Public Accountant

Kalpataru Power Transmission Sweden AB
Consolidated Balance Sheet as at 31 March 2020

Amt '000 SEK

Particulars	Note	As at March 2020
ASSETS		
Non-current Assets		
(a) Property, Plant and Equipment	5(i)	12,306.72
(b) Goodwill	5(ii)	112,344.150
(c) Other Intangible Assets	5(ii)	85,593.60
(d) Right of Usage Assets	6	26,981.13
		237,225.60
Current Assets		
(a) Inventories	7	2,925.08
(b) Financial Assets		
(i) Trade Receivables	8	140,950.82
(ii) Cash and Cash Equivalents	9	159,164.85
(c) Other Current Assets	10	80,123.53
		383,164.27
TOTAL ASSETS		620,389.88
EQUITY AND LIABILITIES		
Equity		
(a) Equity Share Capital	11	70,331.75
(b) Other Equity	12	392.61
Equity Attributable to Owners of the Company		70,724.36
(c) Non-Controlling Interests		-
		70,724.36
LIABILITIES		
Non Current Liabilities		
(a) Financial Liabilities		
(i) Borrowings	13	130,765.90
(ii) Other Financial Liabilities	15(i)	76,636.58
(b) Provisions	16	536.15
(c) Deferred Tax Liabilities (net)		24,850.00
		232,788.63
Current Liabilities		
(a) Financial Liabilities		
(i) Trade Payables	14	128,881.10
(ii) Other Financial Liabilities	15(ii)	11,543.64
(b) Other Current Liabilities	17	176,452.14
(c) Current Tax Liabilities (net)		
		316,876.89
TOTAL EQUITY AND LIABILITIES		620,389.87

Kalpataru Power Transmission Sweden AB**Consolidated Statement of Profit and Loss for the year ended 31 March 2020**

Particulars	Note	Amt '000 SEK
		As at March 2020
Revenue from Operations	18	782,120.71
Other Income	19	2,232.23
TOTAL INCOME		784,352.94
EXPENSES		
Cost of Materials Consumed	20	240,550.34
Changes in Inventories of Finished goods and Work in Progress		-
Erection, Sub-Contracting and other Project Expenses	21	351,439.78
Employee Benefits Expense	22	129,022.28
Finance Costs	23	11,441.52
Depreciation and Amortisation Expenses	5	17,412.01
Other Expenses	24	32,408.55
TOTAL EXPENSES		782,274.48
Profit / (loss) Before Exceptional Items and Tax		2,078.46
Profit / (loss) Before Tax		2,078.46
Tax Expenses		
Current Tax		7,028.10
Deferred Tax		(1,707.59)
Profit/(Loss) for the year		(3,242.05)
Other Comprehensive Income		
		-
Total Other Comprehensive Income		-
Total Comprehensive Income/(loss) for the year		(3,242.05)

A : Equity Share Capital

(SEK in '000)

Particulars	Balance as at 31 March 2020
At the beginning of the year	50.00
Changes in equity share capital during the year	70,281.75
Closing Balance	70,331.75

B : Other Equity

(SEK in '000)

Particulars	Reserve & Surplus	Other Comprehensive Income / (Loss)	Conditional Shareholding	Total Attributable to Owners of the Company
	Retained Earnings	Exchange differences of foreign operation		
Balance as at 31st March 2020				
Profit for the year	(3,242.054)	-		(3,242.05)
Other Comprehensive income for the year	-	(365.34)		(365.34)
Contribution during the year	-	-	4,000.00	4,000.00
Balance as at 31 March 2020	(3,242.05)	(365.34)	4,000.00	392.61

For and on behalf of the Board

Name:

Designation:

5 PROPERTY, PLANT AND EQUIPMENTS AND OTHER INTANGIBLE ASSETS												SEK in '000
Particulars	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 1st April, 2019	Additions	Deductions/ Adjustments	Acquired in business combination	As at 31st March, 2020	As at 1st April, 2019	For the Year	Deductions/ Adjustments	Acquired in business combination	As at 31st March, 2020	As at 31st March, 2020	
(i) Property, Plant and Equipments												
Freehold Land	-	-	-	342.45	342.45	-	-	-	-	-	342.45	
Buildings	-	1,558.01	-	7,876.58	9,434.59	-	266.60	-	3,997.19	4,263.79	5,170.80	
Plant and Equipment	-	1,510.85	(276.03)	19,314.23	20,549.04	-	1,686.62	(226.00)	13,592.35	15,052.97	5,496.07	
Vehicles	-	652.91	(334.46)	3,177.47	3,495.92	-	416.73	(320.40)	2,102.19	2,198.52	1,297.40	
Total (i)	-	3,721.76	(610.49)	30,710.73	33,822.01	-	2,369.95	(546.40)	19,691.73	21,515.28	12,306.72	
(ii) Other Intangible Assets												
Toll Collection Rights	-	-	-	-	-	-	-	-	-	-	-	
Goodwill	-	-	-	112,744.15	112,744.15	-	-	-	400.00	400.00	112,344.15	
Copyright and Trade Mark	-	-	-	25,900.00	25,900.00	-	-	-	-	-	25,900.00	
Customer relationships	-	-	-	65,600.00	65,600.00	-	6,013.33	-	-	6,013.33	59,586.67	
Software (Other than internally generated)	-	-	-	527.74	527.74	-	130.70	-	290.11	420.81	106.93	
Total (ii)	-	-	-	204,771.89	204,771.89	-	6,144.03	-	690.11	6,834.14	197,937.75	
Total (i) + (ii)	-	3,721.76	(610.49)	235,482.62	238,593.90	-	8,513.99	(546.40)	20,381.84	28,349.43	210,244.47	

6 Lease

The lease treatment and computation in accordance with IFRS has been summarised below for the year 2019-20.

i) Right-of-use assets by class of assets is as follows.

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK
	Recognised on the date of Transition	Additions	Deductions	As at 31 Mar 2020	Recognised on the date of Transition	For the Year	Deductions	As at 31 Mar 2020	As at 31 Mar 2020
TANGIBLE ASSETS									
Buildings	-	13,697.95	-	13,697.95	-	2,855.21	-	2,855.21	10,842.74
Plant and Equipment	-	1,036.59	-	1,036.59	-	548.60	-	548.60	488.00
Vehicles	-	21,144.62	-	21,144.62	-	5,494.22	-	5,494.22	15,650.40
Total (ii)	-	35,879.16	-	35,879.16	-	8,898.03	-	8,898.03	26,981.13

ii) Finance costs includes interest expense amounting to 466,548 SEK for the year ended 31st March 2020 on lease liability accounted in accordance with IFRS 16 'Leases'.

iii) **Lease liabilities**

Particulars	As at 31st March 2020
Maturity analysis - Undiscounted cash flows	
Less than one year	11,898
More than one year	15,503
Total undiscounted lease liabilities	
Lease liabilities included in financial position	
Current	11,423.91
Non current	15,057.22

	SEK in '000
	As at March 2020
7. INVENTORIES	
Raw Materials and Components	2,925.08
TOTAL	2,925.08
8 TRADE RECEIVABLES - CURRENT	
(Unsecured, Considered good)	
Trade receivables	141,147.28
Less : Allowance for expected credit loss	(196.45)
TOTAL	140,950.82
9. CASH AND CASH EQUIVALENTS	
Balance With Banks	
In Current Accounts	159,164.85
In Fixed Deposit *	-
(with original maturity of less than 3 months)	-
Cash on hand	-
TOTAL	159,164.85
10 OTHER ASSETS - CURRENT	
Accrued but not invoiced income	66,745.32
Prepaid Expenses	4,547.55
Others	8,830.66
TOTAL	80,123.53
11 EQUITY	
AUTHORISED :	
Equity share capital	240,000
TOTAL	240,000.00
ISSUED, SUBSCRIBED and PAID-UP:	
Equity share capital	70,331.75
TOTAL	70,331.75
12 OTHER EQUITY (EXCLUDING NON CONTROLLING INTEREST)	
Retained Earnings:	
At the beginning of the year	-
Add : Profit (loss) for the year	(3,242.05)
Add: Condition sharholder contribution	4,000.00
	757.95
Other Comprehensive Income/ (Loss)	
At the beginning of the year	-
Add: Other comprehensive income for the year	(365.34)
	(365.34)
TOTAL	392.61

	(SEK in '000)
	As at March 2020
13 NON CURRENT BORROWINGS	
	Non-Current
Unsecured (at amortised cost)	
Loan from related parties	130,765.90
Amount disclosed under the head "Other Current Financial Liabilities" (Refer Note 21(ii))	
TOTAL	130,765.90
14 17. TRADE PAYABLE - CURRENT	
Others	128,881.10
TOTAL	128,881.10
15 OTHER FINANCIAL LIABILITIES	
(i) Non Current	
Liability for option to purchase NCI (Including interest)	61,579.37
Lease Liability	15,057.22
TOTAL	76,636.58
(ii) Current	
Lease Liability	11,423.91
Other Payable	119.74
TOTAL	11,543.64
16 PROVISIONS - NON CURRENT	
Provision for Performance Warranties	536.15
TOTAL	536.15
17 OTHER LIABILITIES - CURRENT	
Invoiced but not accrued income	139,183.51
Current tax debt	3,461.00
Accrued expenses and deferred income	30,390.68
Others	3,416.95
TOTAL	176,452.14

Kalpataru Power Transmission Sweden AB**Notes on Consolidated Financial Statement for the period ended 31 March 2020**

	SEK in '000
	<u>2019-20</u>
18 REVENUE FROM OPERATIONS	
Revenue from Contract with Customers	
Income from EPC Contracts	780,880.83
Income from Services	123.35
Other Operating Income	
Sale of Scrap	1,226.95
Others	(110.42)
TOTAL	<u>782,120.71</u>
19 OTHER INCOME	
Interest Income	
<i>On financial assets carried at amortised cost</i>	
Forex gain on bank account	1,077.38
Forex gain on forward purchase	1,154.85
TOTAL	<u>2,232.23</u>
20 COST OF MATERIAL CONSUMED	-
Others	240,550.34
TOTAL	<u>240,550.34</u>
21 Erection, Sub-Contracting and other Project Expenses	
Sub-contracting expenses	351,439.78
TOTAL	<u>351,439.78</u>
22 EMPLOYEE BENEFIT EXPENSE	
Salaries, Wages, Bonus	89,841.52
Employees' Welfare Expenses	39,180.75
TOTAL	<u>129,022.28</u>
23 FINANCE COST	
Interest Expenses	3,451.81
Other Borrowing Costs	2,021.25
Interest towards minority shareholder liability	1,648.11
Exchange Rate variation	4,320.34
TOTAL	<u>11,441.52</u>
24 OTHER EXPENSES	
Power and Fuel	2,946.73
Repairs and Maintenance: - Building	1,508.98
Repairs and Maintenance: - Plant and machinery	2,773.78
Freight and Forwarding Expenses	90.98
Vehicle/ Equipment Running and Hire Charges	4,595.77
Rent	1,535.96
Stationery, Printing and Drawing Expenses	545.79
Telecommunication Expenses	3,123.32
Travelling Expenses	1,326.48
Legal and Professional Expenses	9,921.45
Auditor's Remuneration	246.00
Bank Commission and Charges	640.68
Miscellaneous Expenses	3,152.63
TOTAL	<u>32,408.55</u>

Kalpataru Power Transmission Sweden AB

Notes forming part of the Consolidated Financial Statement for the year ended 31st March 2020

				Amt '000 SEK	
25 DEFERRED TAX ASSETS (net)					
Particulars	As at 1st April, 2019	Acquired in business combination	Recognised in profit or loss	As at 31st March, 2020	
Deferred tax (liabilities)/assets in relation to:					
a	Property, Plant and Equipments	-	19,581.00	107.21	19,688.21
b	Expense deductible / income taxable in different tax accounting period and change in fair value	-	-	-	-
c	Reversal of lapsed tax reserve	-	-	-	-
d	Carry Forward Tax Losses	-	-	-	-
e	Change in method of determining revenue	-	-	-	-
f	Other Tax effect	-	4,522.87	1,624.04	6,146.91
SUB-TOTAL		-	24,103.870	1,731.248	25,835.12
Others (including exchange differences)		-	2,453.72	(3,438.84)	(985.12)
TOTAL		-	26,557.59	(1,707.60)	24,850.00
Particulars			As at 31st March, 2020	As at 31st March, 2019	
Deferred tax (liabilities)/assets in relation to:					
Deferred tax assets					
Deferred tax liabilities			24,850.00		
Net Deferred Tax Asset			24,850.00	-	

Kalpataru Power Transmission Sweden AB**Notes forming part of the Consolidated Financial Statement for the year ended 31st March 2020**

26. Reconciliation of income tax expenses with the accounting profit	Amt '000 SEK
Particulars	As at 31st March, 2020
Tax Expenses	
Tax on the year end result	6,898.32
Tax from tax audit regarding earlier years	129.78
Deferred tax	(1,707.59)
Total Tax expenses	5,320.51
 <u>Reconciliation of tax as per PBT and actual reported tax:</u>	
Profit before tax	2,078.46
Tax according to current tax rates	444.79
 Non-deductible costs	 575.27
Non-taxable income	15.88
Tax effect standard interest on untaxed reserves	23.67
Unused tax losses from this year	3,458.92
Effect from the higher taxrate in Norway	(7.39)
Tax from tax audit regarding earlier years	129.78
Other taxable adjustments	679.59
Reported tax	5,320.51

Kalpataru Power Transmission Sweden AB**Notes forming part of the Consolidated Financial Statement for the year ended 31st March 2020**

27 CONTINGENT LIABILITIES IN RESPECT OF :	<u>Amt '000 SEK</u>
	<u>As at 31st March,</u>
	<u>2020</u>
(a) Bank guarantees	167,920.00
(b) Insurance Guarantees	98,025.08
Total	<u>265,945.08</u>

28 Particulars of Subsidiaries included in Consolidation

Name of Subsidiary	with effect from	Country of Incorporation	<u>% voting power</u>
			<u>As at 31st March,</u>
			<u>2020</u>
Subsidiaries Held directly			
Linjemontage i Grastorp AB	April 29,2019	Sweden	85.00%
Subsidiaries Held Indirectly			
Linjemontage Service Nordic AB	April 29,2019	Sweden	85.00%
Linjemontage AS	April 29,2019	Norway	85.00%

29 Financial instruments – fair values and risk management**Capital Management**

The group manages its capital to ensure that it will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group has Nil net debt as at 31 March 2020.

Financial Instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. The Group consider that the carrying values of financial assets and financial liabilities recognized in the financial statements approximate their fair value.

Particulars	Amt '000 SEK	
	As at 31st March, 2020	
Financial Assets		
Measured at Amortized Cost		
(i) Trade receivables		140,950.82
(ii) Cash and cash equivalents		159,164.85
		300,115.67
Financial Liabilities		
Measured at Amortised Cost		
(i) Borrowings		130,765.90
(ii) Trade payables		128,881.10
(iii) Other financial liabilities		88,180.22
		347,827.22

Financial Risk Management**Financial Risk factors**

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the group is foreign exchange risk. The group uses derivative financial instruments to mitigate foreign exchange related risk exposures.

Market Risk

The group operates internationally and a major portion of the business is transacted in several currencies and consequently the group is exposed to foreign exchange risk through its sales and services and purchases from overseas suppliers in various foreign currencies. The group holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupees and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the group's operations are affected as the rupee appreciates/depreciates against these currencies.

The following table analyses foreign currency risk from financial instruments as at March 31, 2020

Particulars	USD	Euro	Others
Cash & Cash Equivalents	-	-	-
Trade Receivable	-	-	-
Other Financials Assets	-	-	-
Total Asset	-	-	-
Borrowings	-	127,313.16	-
Trade Payable	-	17,816.69	-
Other Financial Liabilities	-	-	-
Total Liabilities	-	145,129.85	-
Net Assets / (Liabilities)	-	-145,129.85	-

Sensitivity Analysis

For the year ended March 31, 2020, increase / decrease of 5% in the exchange rate between the Indian rupee and USD/Euro would impact group's profit before tax by approximately SEK 900,000. Sensitivity rate of 5% is used while reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rate.

Kalpataru Power Transmission Sweden AB
Notes on Consolidated Financial Statement for the year ended March 31, 2020

Derivative Financial Instruments

The group holds derivative financial instruments such as foreign currency Forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures .

As at March 31, 2020

(Amt '000 SEK)

Outstanding Contracts	Average Exchange Rate (in equivalent SEK)	Amount in Foreign currency	Nominal Amount ('000 SEK)
Other Hedges (Routed through Profit & Loss)			
Buy USD Sell SEK			
Maturing in 3 months to 6 months	9.65	2,837	27,386
Total/Average			
Buy EUR Sell SEK			
Maturing less than 3 months	10.90	1,179	12,849
Total/Average			

Credit Risk

Trade receivables and other receivable

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Our major customers are Government owned utility companies or major reputed companies in Sweden. It is a norm in Sweden to respect payment terms and hence the possibilities of default is generally not there. We do credit followups in cases where payments have not been received in time. A provision is made in case the amount is due for more than 3 months.

Summary of the group's exposure to credit risk by age of the outstanding from various customers is as follows:

(Amt '000 SEK)

Particulars	As at
	March 31, 2020
Less than 3 months	140,950.82
3 months to 6 months	-
6 months to 12 months	-
> 12 months	196.45
	141,147.28

Expected credit loss assessment for customers

The Group has used a practical expedient by computing the expected credit loss allowance for trade receivables on a provision matrix.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Particulars	2019-20
Balance as at April 1, 2019	196.45
Impairment loss recognized (net)	-
Balance as at March 31, 2020	196.45

Credit risk on derivative financial instruments is limited because the counterparties are banks with high credit rating assigned by rating agencies.

29 Financial instruments – fair values and risk management (Continued)

Liquidity Risk

The Table below provides details regarding the contractual maturities of significant liabilities

Particulars	As at 31st March, 2020		
	Less than 1 year	More than 1 year	Total
Financial Liabilities			
(i) Trade Payable	128,881.10	-	128,881.10
(ii) Borrowings	-	130,765.90	130,765.90
(iii) Other financial liabilities	11,543.64	76,636.58	88,180.22
Total			347,827.22

Note- The above table does not include liability on account of future interest obligation.

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. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating interest rates.

Interest Rate Sensitivity Analysis

For the year ended March 31, 2020 and March 31, 2019, a 100 basis point increase / decrease in interest rate on floating rate liabilities would impact group's profit before tax by approximately SEK 1.14 Mn.

Commodity Price Risk

Currently the group charges to its customers the material on a fixed price and inclusive basis. Also the purchase from the suppliers are on a fixed price basis and hence we estimate that the commodity price risk is not materially affecting the results of the business.

30 THE DISCLOSURE AS REGARDS TO PROVISION AS PER IAS 37 " PROVISIONS, CONTINGENT LIABILITY AND CONTINGENT ASSETS

Provision for Performance Warranties	(Amt '000 SEK)
	2019-20
Carrying amount at the beginning of the year	
Acquired under Business Combination	1,206.37
Add: Provision/Expenses during the year	(670.37)
Less : Utilisation / Reversal of Provisions	
Less : Discounting during the year	
Carrying amount at the close of the year	536.00

Kalpataru Power Transmission Sweden AB**Notes on Consolidated Financial Statement for the year ended March 31, 2020**

31. Related Party Disclosures

During the year Kalpataru Power Transmission Limited (KPTL) has issued following guarantees and undertaking towards bank guarantees and insurance guarantees issued by Kalpataru Power Transmission Sweden AB and its subsidiaries.

Particulars	Amt '000 SEK
Total corporate guarantee issued by KPTL	178,380
Total undertaking issued by KPTL	90,000
Total guarantees and undertaking	268,380

The related party transactions in ordinary course of business are:

	Amt '000 SEK
	2019-20
Particulars	Kalpataru Power Transmission Limited
(i) Transactions during the year with Entities	
Investment in Equity Shares / Preference Shares	
Loans given / (received back) (net)	130,766
Commission on Corporate Guarantee	411
Interest expense	3,453
(ii) Balances with Entities as on 31.03.2020	
Loans Given	
Loans Taken (Including conditional shareholding)	130,766
Trade Receivable	