



Independent Auditor's Report

To
The Members of PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.



We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2018, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

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 Section 143(11) of the Act, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
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 purpose 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 Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) Reporting on the adequacy of Internal Financial Control Over Financial Reporting of the Company and the operating effectiveness of such controls, under section 143(3)(i) of the Act is not applicable, in terms of the Notification No. G.S.R. 583(E) dated 13th June, 2017, read with General Circular No. 08/2017 dated 25th July, 2017 issued by the Ministry of Corporate Affairs, Government of India
- (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, as amended, 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 as at 31st March, 2018 which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts as at 31st March, 2018;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2018;

HYDERABAD
17.05.2018

For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 002283S


P.V.R.K. NAGESWARA RAO
Partner
Membership Number: 18840

Annexure A to Independent Auditor's Report

Referred to in Paragraph 1 under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date


- 1 The company does not own any fixed assets. Therefore, the provisions of Clause 3(i)(a), (i)(b) and (i)(c) of the said Order are not applicable to the Company.
- 2 The Company does not hold any inventory as at 31st March, 2018. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- 3 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 ("the Act"). Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
- 4 The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Therefore, the provisions of Clause 3(iv) of the Order are not applicable to the Company.
- 5 The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
- 6 The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- 7
 - (a) According to the records of the Company and as per the information and explanations given to us and confirmed by management of the Company, the provisions of provident fund, employees' state insurance, income tax, sales tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues are not applicable to the company for this year.
 - (b) According to the records of the company and as per the information and explanations given to us, there are no dues of income tax, sales tax, service tax, goods and service tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute as on 31st March, 2018.
- 8 As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- 9 The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

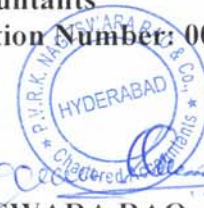


- 10 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- 11 The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company.
- 12 As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- 13 The Company has not entered into transactions with related parties during the year. Accordingly, the provisions of Clause 3(xiii) of the Order are not applicable to the Company.
- 14 The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- 15 The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- 16 The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

HYDERABAD
17.05.2018

For P V R K NAGESWARA RAO & Co.,
Chartered Accountants
Firm's Registration Number: 002283S


P V R K NAGESWARA RAO
Partner
Membership Number: 18840



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Balance sheet as at 31 March, 2018**

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note No.	As at 31 March, 2018	As at 31 March, 2017
ASSETS			
Current assets			
(i) Cash and cash equivalents	3	37,367	75,217
Other current assets	4	5,674	-
Total Current assets		43,041	75,217
TOTAL ASSETS		43,041	75,217
EQUITY AND LIABILITIES			
Equity:			
Equity share capital	5(a)	1,00,000	1,00,000
Other equity:			
Reserves and surplus	5(b)	(86,859)	(41,983)
Total Equity		13,141	58,017
LIABILITIES			
Current liabilities			
Financial liabilities			
(i) Other financial liabilities	6	29,900	17,200
Total current liabilities		29,900	17,200
TOTAL LIABILITIES		29,900	17,200
TOTAL EQUITY AND LIABILITIES		43,041	75,217

The accompanying notes are an integral part of the financial statements

As per our report of even date

For P.V.R.K. NAGESWARA RAO & CO.

Chartered Accountants

Firm's Registration Number: 002283S

For and on behalf of the Board

P.V.R.K. Nageswara Rao

Partner

Membership Number: 18840

Secunderabad

17.05.2018

Dr. A.N.Gupta
DirectorT.V. Chowdary
Director



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Statement of profit and loss for the year ended 31 March, 2018
(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note No.	For the year ended 31 March, 2018	For the period ended 31 March, 2017
Revenue			
Revenue from operations		-	-
Total Revenue		-	-
Expenses			
Other expenses	7	44,876	41,983
Total Expenses		44,876	41,983
Profit/(Loss) before tax		(44,876)	(41,983)
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit/(Loss) after tax for the year		(44,876)	(41,983)
Other Comprehensive Income		-	-
Other Comprehensive Income after tax for the year		-	-
Total Comprehensive Income/(Loss) for the year		(44,876)	(41,983)
Earnings/(Loss) per share (Par value of Rs.10 each)			
-Basic and Diluted	13	(4.49)	(5.89)

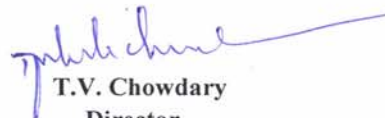
The accompanying notes are an integral part of the financial statements

As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.
Chartered Accountants
Firm's Registration Number: 002283S

For and on behalf of the Board



P.V.R.K. Nageswara Rao
Partner
Membership number: 18840
Secunderabad
17.05.2018


Dr. A.N.Gupta
Director


T.V. Chowdary
Director

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Statement of changes in equity for the year ended 31 March, 2018**

(All amounts in Indian Rupees, unless otherwise stated)

a. Equity share capital

Paid up Equity Share capital	Number of Shares	Amount
As at July 15, 2016	-	-
Changes in equity share capital	10,000	1,00,000
As at March 31, 2017	10,000	1,00,000
Changes in equity share capital	-	-
As at March 31, 2018	10,000	1,00,000

b. Other Equity

Particulars	Reserves and Surplus Retained earnings
Balance as at 15 July, 2016	-
Profit/(Loss) for the period	(41,983)
Other comprehensive income for the year, net of income tax	-
Total comprehensive income/(loss) for the year	(41,983)
Transactions with owners in their capacity as owners:	-
Balance as at 31 March, 2017	(41,983)
Balance as at 01 April, 2017	(41,983)
Profit/(Loss) for the year	(44,876)
Other comprehensive income for the year, net of income tax	-
Total comprehensive income/(loss) for the year	(44,876)
Transactions with owners in their capacity as owners:	-
Balance as at 31 March, 2018	(86,859)

The accompanying notes are an integral part of the financial statements

As per our report of even date

For P.V.R.K. NAGESWARA RAO & CO.

Chartered Accountants

Firm's Registration Number: 002283S

P.V.R.K. Nageswara Rao

Partner

Membership number: 18840

Secunderabad

17.05.2018

For and on behalf of the Board


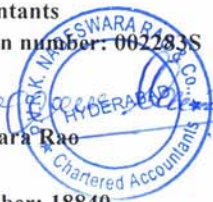
Dr. A.N.Gupta
DirectorT.V. Chowdary
Director

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Statement of cash flow for the year ended 31 March, 2018
(All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended 31 March, 2018	For the period ended 31 March, 2017
Cash flow from operating activities		
Profit/(Loss) before tax	(44,876)	(41,983)
	(44,876)	(41,983)
Change in operating assets and liabilities		
Increase in other financial liabilities	12,700	17,200
(Increase) in other current assets	(5,674)	-
gg	(37,850)	(24,783)
Income tax paid	-	-
Net cash generated from operating activities	(37,850)	(24,783)
Cash flows from financing activities		
Proceeds from issue of equity shares	-	1,00,000
Net cash in flow/(outflow) from financing activities	-	1,00,000
Net increase (decrease) in cash and cash equivalents	(37,850)	75,217
Cash and cash equivalents at the beginning of the year	75,217	-
Cash and cash equivalents at end of the year	37,367	75,217

The Cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.

The accompanying notes are an integral part of the financial statements

As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.
Chartered Accountants
Firm's registration number: 062283S


P.V.R.K. Nageswara Rao
Partner
Membership number: 18840
Secunderabad
17.05.2018

For and on behalf of the Board


Dr. A.N.Gupta
Director


T.V. Chowdary
Director

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 1 : Background

1.1 PELNEX Defence Systems Private Limited ("the Company or PELNEX") has been incorporated as a wholly owned subsidiary of Premier Explosives Limited to manufacture defence products and the Company is yet to commence operations.

1.2 The Financial statements are approved for issue by the Company's Board of Directors on 17 May, 2018

Note 2 : Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Note 2.1 : Basis of Preparation of financial statements

The financial statements are presented in Indian Rupees (INR) rounded off to the nearest rupee.

(i) Compliance with Ind AS

The financial statements of PELNEX have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 ('the Act') read together with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. The Company adopted Ind AS from April 01, 2017.

The financial statements up to the year ended 31 March 2017 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

The Company was incorporated on July 15, 2016 and preceding financial year of the Company comprised the period from July 15, 2016 to March 31, 2017. Accordingly July 15, 2016 is considered to be the date of transition to Ind AS. In view of these circumstances, the question of providing opening balance sheet as at the date of transition to Ind AS does not arise in the case of the Company. Refer Note 10 for an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that are measured at fair value; (refer accounting policy regarding financial instruments)

(iii) Current and non-current classification

An asset is classified as current if:

- (i) It is expected to be realised or sold or consumed in the Company's normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) It is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast twelve months after the reporting period.

A liability is classified as current if:

- (i) It is expected to be settled in normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be settled within twelve months after the reporting period;
- (iv) It has no unconditional right to defer the settlement of the liability for atleast twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non current only.

(iv) Operating Cycle

The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

(v) Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new amendments to Ind ASs which the Company has not applied as they are effective for annual periods beginning on or after April 1, 2018:

Ind AS 115 - Revenue from contracts with customers

Ind AS 21 - The effect of changes in exchange rates



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Ind AS 115 - Revenue from contracts with customers

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

-Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

-Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach) The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

There is no effect on adopting Ind AS 115 as the Company has not commenced operations till 31st March, 2018.

Ind AS 21-The effect of changes in exchange rates

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018. There is no effect on the financial statements, since the Company does not generally deal in foreign currency transactions.

Note 2.2 : Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with Ind AS requires management of the Company to make estimates and assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Examples of such estimates include future obligations under employee retirement benefit plans, recognition of deferred tax assets and useful lives of fixed assets. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Note 2.3 : Functional and presentation currency

The financial statements are prepared in Indian rupees (INR), which is the company's functional and presentation currency.

Note 2.4 : Income 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 rate for each jurisdiction 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 2.5 : Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Note 2.6 : Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Note 2.7 : Investments and other financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- a. Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b. Those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in Other income using the effective interest rate method.

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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds, net of direct costs of the capital issue.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value are not reported separately from other changes in fair value.



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

(iii) Impairments of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments.

In case of other financial assets, at each reporting date, for recognition of impairment loss, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

(iv) Derecognition of financial assets

A financial asset is derecognized only when

- a. The Company has transferred the rights to receive cash flow from the financial asset or
- b. Retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Note 2.8 : Offsetting of 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 recognized amounts and there is an intention to settle on a net basis or realize 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 Company or the counterparty.

Note 2.9 : Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Note 2.10 : Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expense.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognised but disclosed in the financial statements when an inflow of economic benefits is probable.

Note 2.11 : Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company
- By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after 'income-tax' effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

Note 3: Cash and cash equivalents

Particulars	As at 31 March, 2018	As at 31 March, 2017
Balances with banks		
-in current account	37,367	75,217
Total cash and cash equivalents	37,367	75,217

Note 4: Other current assets

Particulars	As at 31 March, 2018	As at 31 March, 2017
Prepaid expenses	5,674	-
Total other current assets	5,674	-



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

Note: Equity share capital and other equity**Note 5(a): Equity share capital**

Authorised equity share capital	Number of shares	Amount
As at 31st March 2017	50,000	5,00,000
Movement during the year	-	-
As at 31st March 2018	50,000	5,00,000

(i) Movements in equity share capital

Paid up Equity Share capital	Number of shares	Amount
As at 31st March 2017	10,000	1,00,000
Movement during the year	-	-
As at 31st March 2018	10,000	1,00,000

Shares held by Holding Company:

10,000 (2016-17: 10,000) Equity shares of Rs.10/- each fully paid up held by Premier Explosives Limited

Terms and rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.10/- per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(ii) Details of shareholders holding more than 5% shares in the company

Particulars	AS at 31 March, 2018		As at 31 March, 2017	
	Number of shares	% holding	Number of shares	% holding
Premier Explosives Limited	10,000	100.00%	10,000	100.00%

Note 5(b): Reserves and surplus

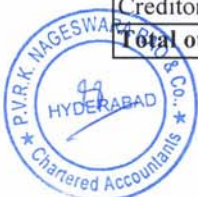
Particulars	As at 31 March, 2018	As at 31 March, 2017
(i) Retained earnings	(86,859)	(41,983)
Total reserves and surplus	(86,859)	(41,983)

(i) Retained earnings

Particulars	As at 31 March, 2018	As at 31 March, 2017
Opening balance	(41,983)	-
Net profit/(loss) for the Year	(44,876)	(41,983)
Items of other comprehensive income recognised directly in retained earning	-	-
Closing balance	(86,859)	(41,983)

Note 6: Other Financial liabilities

Particulars	As at 31 March, 2018	As at 31 March, 2017
Current		
Creditors for expenses	29,900	17,200
Total other financial liabilities	29,900	17,200



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

Note 7: Other expenses

Particulars	For the year ended 31 March, 2018	For the period ended 31 March, 2017
Rates and taxes, excluding taxes on income	3,200	580
Payments to Auditors: As Statutory Auditor	29,500	11,500
Professional charges	9,000	14,662
Preliminary expenses written off	-	15,120
Bank charges	-	121
General expenses	3,176	-
Total other expenses	44,876	41,983



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

Financial Instruments and Risk Management

Note 8: Fair value measurement

Financial instruments by category

Particulars	As at 31 March, 2018			As at 31 March, 2017		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
A. Financial assets						
i) Cash and cash equivalents	-	-	37,367	-	-	75,217
Total financial assets	-	-	37,367	-	-	75,217
B. Financial liabilities						
i) Other financial liabilities	-	-	29,900	-	-	17,200
Total financial liabilities	-	-	29,900	-	-	17,200

Notes:

The carrying amounts of other financial liabilities and cash and cash equivalents are considered to be the same as their fair values due to their short term nature.



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

Note 9: Payables to Micro, Small & Medium Enterprises

There are no dues to micro and small enterprises as at 31 March, 2018 and 31 March, 2017.

Note 10: First-time adoption of Ind AS**Transition to Ind AS**

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March, 2018, the comparative information presented in these financial statements for the period ended 31 March, 2017. The Company was incorporated on July 15, 2016 and preceding financial year of the Company comprised the period from 15 July, 2016 to 31 March, 2017. Accordingly 15 July, 2016 is considered to be the date of transition to Ind AS. In view of these circumstances, the question of providing opening balance sheet as at the date of transition to Ind AS does not arise in the case of the Company. An explanation on how the transition from previous GAAP to Ind AS has effected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Reconciliations between previous GAAP and Ind AS (as at 31 March, 2017)**(i) Reconciliation of equity as at 31 March, 2017**

	Previous GAAP	Adjustments	Ind AS
Assets			
Current assets			
Financial assets			
(i) Cash and cash equivalents	75,217	-	75,217
Total Current assets	75,217	-	75,217
TOTAL ASSETS	75,217	-	75,217
EQUITY AND LIABILITIES			
Equity			
Share capital	1,00,000	-	1,00,000
Other equity	-	-	-
(i) Reserves & Surplus	(41,983)	-	(41,983)
Equity attributable to shareholders	58,017	-	58,017
LIABILITIES			
Current liabilities			
Financial liabilities			
(i) Other financial liabilities	17,200	-	17,200
Total current liabilities	17,200	-	17,200
TOTAL LIABILITIES	17,200	-	17,200
TOTAL EQUITY AND LIABILITIES	75,217	-	75,217

The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

(ii) Reconciliation of total comprehensive income for the year ended 31 March, 2017

	Previous GAAP	Adjustments	Ind AS
Revenue from operations	-	-	-
Other Income	-	-	-
Total Income	-	-	-
Expenses			
Other expenses	41,983	-	41,983
Total Expenses	41,983	-	41,983
Profit/(Loss) before tax	(41,983)	-	(41,983)
Income tax expense			
-Current tax	-	-	-
-Deferred tax	-	-	-
Total tax expense	-	-	-
Profit after tax	(41,983)	-	(41,983)
Other Comprehensive income	-	-	-
Current tax relating to OCI		-	-
Total comprehensive income for the year	(41,983)	-	(41,983)

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

(iii) Reconciliation of total equity as at 31 March, 2017

Particulars	As at 31 March 2017
Total Equity (shareholder's funds) as per previous GAAP	58,017
Adjustments:	-
Total Equity as per Ind AS	58,017

(iv) Reconciliation of total comprehensive income for the year ended 31 March, 2017

Particulars	Period ended 31 March, 2017
Profit/(Loss) after tax as per previous GAAP	(41,983)
Adjustments:	-
Profit/(Loss) after tax as per Ind As	(41,983)
Other Comprehensive Income	-
Current tax relating to OCI	-
Total comprehensive income/(loss) as per Ind AS	(41,983)



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

(vi) Impact of Ind AS adoption on the cash flow statements for the year ended 31 March, 2017

	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	(24,783)	-	(24,783)
Net cash flow from investing activities	-	-	-
Net cash flow from financing activities	1,00,000	-	1,00,000
Net increase/(decrease) in cash and cash equivalents	75,217	-	75,217
Cash and cash equivalents as at 1 April 2016	-	-	-
Cash and cash equivalents as at 31 March 2017	75,217	-	75,217



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

Note 11: Segment Information**(a) Description of segments and principal activities**

The Director (Dr.A.N.Gupta) has been identified as being the Chief Operating Decision Maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the Company's performance. The Company is engaged in manufacture defence products and operates in a single operating segment. The Company is yet to commence operations.

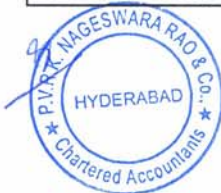
Note 12: Related Party Transactions

(a) Holding Company : Premier Explosives Limited

(b) Key Management personnel(KMP) : Dr. A.N.Gupta
: Mr. T.V.Chowdary

(c) Transactions with Related Parties:

Particulars	2017-18		2016-17	
	Amount	Outstanding balance as at 31 March, 2018	Amount	Outstanding balance as at 31 March, 2017
Holding Company:		-		5,300 Credit
Investment in Equity shares	-		1,00,000	
Reimbursement of payment of expenses	-		5,300	



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

Note 13: Earnings/(Loss) per share

Particulars	As at 31 March, 2018	As at 31 March, 2017
(a) Basic EPS		
Basic earnings/(loss) per share attributable to the equity holders of the company	(4.49)	(5.89)
(b) Diluted EPS		
Diluted earnings/(loss) per share attributable to the equity holders of the company	(4.49)	(5.89)

(c) Reconciliation of earnings/(loss) used in calculating earnings per share

Particulars	As at 31 March, 2018	As at 31 March, 2017
Basic earnings/(loss) per share		
Profit/(Loss) attributable to the equity holders of the company used in calculating basic earnings/(loss) per share	(44,876)	(41,983)
Diluted earnings/(loss) per share		
Profit/(Loss) attributable to the equity holders of the company used in calculating diluted earnings/(loss) per share	(44,876)	(41,983)

(d) Weighted average number of shares used as the denominator

Particulars	As at 31 March, 2018	As at 31 March, 2017
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	10,000	7,123
Adjustments for calculation of diluted earnings per share:	Nil	Nil
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	10,000	7,123


The accompanying notes are an integral part of the financial statements

As per our report of even date

For P.V.R.K. NAGESWARA RAO & CO.

Chartered Accountants

Firm's Registration Number: 002283S



P.V.R.K. Nageswara Rao

Partner

Membership Number: 18840

Secunderabad

17.05.2018

For and on behalf of the Board



Dr. A.N. Gupta

Director



T.V. Chowdary

Director