

SUZLON WIND ENERGY LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS

31 MARCH 2017

MPDC/VJD/AD

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SUZLON WIND ENERGY LANKA (PVT) LTD**

Report on the Financial Statements

We have audited the accompanying financial statements of Suzlon Wind Energy Lanka (Pvt) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 Board, as well as evaluating the overall presentation of the financial statements.

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 financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, Scope and Limitations of the audit are as stated above.
- b) In our opinion :
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

A handwritten signature in black ink, consisting of a stylized 'S' followed by a vertical line.

01 June 2017
Colombo

Suzlon Wind Energy Lanka (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

ASSETS	Note	2017 Rs.	2016 Rs.
Non Current Assets			
Property, Plant and Equipment	3	24,638	-
		<u>24,638</u>	<u>-</u>
Current Assets			
Inventory	4	35,345,060	25,879,892
Trade and Other Receivables	5	119,563,567	56,821,513
Other Financial Assets	6	30,000,000	-
Cash and Cash Equivalents	9	29,876,089	48,653,706
		<u>214,784,716</u>	<u>131,355,111</u>
Total Assets		<u>214,809,354</u>	<u>131,355,111</u>
EQUITY AND LIABILITIES			
Stated Capital	7	300,000	300,000
Retained Earnings		111,165,448	99,138,328
Total Equity		<u>111,465,448</u>	<u>99,438,328</u>
Current Liabilities			
Trade and Other Payables	8	97,613,651	21,361,731
Income Tax Payable		5,730,254	10,555,052
		<u>103,343,906</u>	<u>31,916,783</u>
Total Equity and Liabilities		<u>214,809,354</u>	<u>131,355,111</u>

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

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Finance Manager

The board of directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the board by:

.....
Director

.....
Director

The accounting policies and notes on pages 7 through 14 form an integral part of these financial statements.

01 June 2017
Colombo



Suzlon Wind Energy Lanka (Private) Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
Revenue	10	85,885,811	72,606,179
Cost of Goods and Direct Services		<u>(21,171,544)</u>	<u>(14,556,132)</u>
Gross Profit		64,714,267	58,050,047
Other Income	11	6,025,360	1,894,660
Administration Expenses		<u>(50,302,800)</u>	<u>(22,595,133)</u>
Profit Before Tax		<u>20,436,827</u>	<u>37,349,575</u>
Income Tax Expense	12.1	<u>(5,730,254)</u>	<u>(10,555,052)</u>
Profit for the year		<u><u>14,706,572</u></u>	<u><u>26,794,523</u></u>

The accounting policies and notes on pages 7 through 14 form an integral part of these financial statements.



Suzlon Wind Energy Lanka (Private) Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Stated Capital Rs.	Retained Earnings/ (Loss) Rs.	Total Rs.
Balance As at 1 April 2015	300,000	76,485,191	76,785,191
Profit for the year		26,794,523	26,794,523
Dividend Paid during the period		(4,141,386)	(4,141,386)
Balance As at 31 March 2016	300,000	99,138,328	99,438,328
Profit for the year		14,706,572	14,706,572
Dividend paid		(2,679,452)	(2,679,452)
Balance As at 31 March 2017	300,000	111,165,448	111,465,448

The accounting policies and notes on pages 7 through 14 form an integral part of these financial statements.



Suzlon Wind Energy Lanka (Private) Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	2017 Rs.	2016 Rs.
Cash Flows From/(Used in) Operating Activities		
Profit before Income Tax Expense	20,436,827	37,349,575
Adjustments for		
Depreciation	2,363	-
Exchange (Gain)/Exchange Loss	(4,126,479)	-
Operating Loss before Working capital changes	16,312,710	37,349,575
(Increase)/ Decrease in Inventories	(9,465,168)	2,760,312
(Increase)/Decrease in Trade and Other Receivables	(62,742,055)	(25,812,909)
Increase/ (Decrease) in Trade and Other Payables	76,251,920	(5,882,002)
Cash Generated from Operation	20,357,407	8,414,976
Income Tax Paid	(10,555,052)	(5,648,489)
Net Cash From/(Used in) Operating Activities	9,802,356	2,766,487
Cash Flows From/(Used in) Investing Activities		
Acquisition of Property, Plant and Equipment	(27,000)	-
Investing in Fixed Deposit	(30,000,000)	
Disposal value of Property Plant and Equipment		
Net Cash Flows from Investing Activities	(30,027,000)	-
Cash Flows from (Used in) Financing Activities		
Dividend Paid	(2,679,452)	(4,141,386)
Net Cash Flows from/(Used in) Financing Activities	(2,679,452)	(4,141,386)
Exchange (Gain)/Exchange Loss	4,126,479	-
Net Decrease in Cash and Cash Equivalents	(22,904,096)	(1,374,899)
Cash and Cash Equivalents at the beginning of the period	48,653,706	50,028,605
Cash and Cash Equivalents at the end of the period	29,876,089	48,653,706

The accounting policies and notes on pages 7 through 14 form an integral part of these financial statements.



1. CORPORATE INFORMATION

1.1 General

Suzlon Wind Energy Lanka (Private) Limited ('Company') is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office and principal place of office is located at Level 26, East Tower, World Trade Center, Echelon Square, Colombo 01, Sri Lanka.

1.2 Principal Activities and Nature of Operations

The principal activity of the company is providing maintenance services & repair services for Wind Turbines.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is Suzlon Wind Energy Limited. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is Suzlon Wind Energy Limited which is incorporated in India

1.4 Date of Authorization for Issue

The financial statements of Suzlon wind Energy Lanka (Private) Limited, for the year ended 31 March 2017, were authorized for issue in accordance with a resolution of the Board of Directors on 01 June 2017



2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standard for Small and Medium-Sized Entities issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements are the separate financial statements of the company.

The functional currency of the company is Sri Lanka Rupee. The financial statements of the company are presented in Sri Lanka Rupees.

2.1.1 Statement of Compliance

The financial statements of Suzlon Wind Energy Lanka (Private) Limited have been prepared in accordance with Sri Lanka Accounting Standards for small and Medium Enterprises.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Property, Plant and Equipment

a) Cost

All items of Property, Plant and Equipment are initially recorded at cost. Subsequent to the initial recognition as an asset at cost, less any subsequent depreciation thereon. All other Property, Plant and Equipment are stated at historical cost less accumulated depreciation and less accumulated impairment in value.

If the value of the asset is less than LKR 5,000 the asset is to be depreciated at 100%.

b) Restoration Costs

Subsequent cost 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 Company and the cost can be reliably measured.

Cost of repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

c) Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual values at written down value. The annual rate used for depreciation is as follows.

Plant & Machinery	15%
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If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset may be revised prospectively to reflect the change.

d) Derecognition

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.



2.2.2 Foreign Current Translation

The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities demonstrated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

2.2.3 Taxation

Current Taxes

The current tax payable balance is based on taxable profit for the year. The provision for income tax is based on the elements of income and expenses as reported in the financial statements and computed in accordance with the provision of the relevant tax legislations.

2.2.4 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted as follows:

Raw Materials:

- Purchase cost on a first in, first out basis

2.2.5 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize. Gross allowance & does not make a provision for bad and doubtful receivables.

Other receivables and dues from Related Party are recognized at cost.

2.2.6 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, and deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to significant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investment with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.2.7 Provisions

Provisions are recognized when the Company has a present obligation (Legal or constructive) as a result of a past event, where 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.



Impairment of Non-Financial Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimation of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.2.8 Revenue Recognition

The revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.



Suzlon Wind Energy Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

3. PROPERTY, PLANT AND EQUIPMENT

3.1	Gross Carrying Amounts At Cost	Balance as at 01.04.2016 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2017 Rs.
	Plant and Machinery	-	27,000	-	27,000
		-	-	-	-
	Total Value of Depreciable Assets	-	27,000	-	27,000
3.2	Depreciation At Cost	Balance as at 01.04.2016 Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance as at 31.03.2017 Rs.
	Plant and Machinery	-	2,363	-	2,363
		-	-	-	-
	Total Depreciation	-	2,363	-	2,363
3.3	Net Book Values			2017 Rs.	2016 Rs.
	At Cost			24,638	-
	Total Carrying Amount of Property, Plant and Equipment			24,638	-
3.4	During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 27,000/-				



Suzlon Wind Energy Lanka (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

4. INVENTORY			2017	2016
			Rs.	Rs.
Raw Material			35,345,060	25,879,892
			<u>35,345,060</u>	<u>25,879,892</u>
5. TRADE AND OTHER RECEIVABLES			2017	2016
			Rs.	Rs.
Trade Debtors			68,006,313	55,367,439
Other Receivable			81,550	1,454,074
Amount Due from Related Party(5.1)			51,475,703	-
			<u>119,563,567</u>	<u>56,821,513</u>
5.1 Related Party	Relationship		2017	2016
			Rs.	Rs.
Suzlon Energy Limited	Parent		51,475,703	-
			<u>51,475,703</u>	<u>-</u>
6. OTHER FINANCIAL ASSETS			2017	2016
			Rs.	Rs.
Investments in Fixed Deposits			30,000,000	-
			<u>30,000,000</u>	<u>-</u>
7. STATED CAPITAL			2017	2016
	Number	Rs.	Number	Rs.
As at 31 March 2016	300,000	300,000	300,000	300,000
As at 31 March 2017	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
8. TRADE AND OTHER PAYABLES			2017	2016
			Rs.	Rs.
Trade Payables				
- Serviced income for Future period			48,987,027	15,978,120
Sundry Creditors and Accrued Expenses			16,003,420	2,050,296
Amount Due to Related Party (8.1)			32,623,205	3,333,315
			<u>97,613,651</u>	<u>21,361,731</u>
8.1 Related Party	Relationship		2017	2016
			Rs.	Rs.
Suzlon Global Services Limited.	Affiliate		32,623,205	3,333,315
			<u>32,623,205</u>	<u>3,333,315</u>
9. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT			2017	2016
Components of Cash and Cash Equivalents			Rs.	Rs.
9.1 Favourable Cash and Cash Equivalents Balances				
Cash and Bank Balances			29,876,089	48,653,706
			<u>29,876,089</u>	<u>48,653,706</u>
10. REVENUE			2017	2016
			Rs.	Rs.
			85,885,811	72,606,179
			<u>85,885,811</u>	<u>72,606,179</u>



Suzlon Wind Energy Lanka (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

11. OTHER INCOME

	2017	2016
	Rs.	Rs.
Incentive Income	1,757,468	1,894,660
Foreign Exchange Fluctuation	4,126,479	-
Misc Balance Written Back	141,412	-
	<u>6,025,360</u>	<u>1,894,660</u>

12. PROFIT BEFORE TAX STATED AFTER CHARGING

	2017	2016
	Rs.	Rs.
Included in Administrative Expenses		
EPF	3,010,820	1,377,182.006
ETF	451,628	344,306
Depreciation	2,363	-
Salary	13,814,828	11,451,043
Auditor's Fees and Expenses	<u>323,000</u>	<u>323,000</u>

12.1 Income Tax

The major components of income tax expense for the year ended 31 March are as follows :

	2017	2016
	Rs.	Rs.
Current Income Tax		
Current Income Tax charge (12.2)	<u>5,730,254</u>	<u>10,555,052</u>
Income tax expense reported in the Income Statement	<u>5,730,254</u>	<u>10,555,052</u>

12.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	2017	2016
	Rs.	Rs.
Accounting Profit (Profit before Tax)	20,436,827	37,349,575
Aggregate Disallowed Items	37,368	347,038
Aggregate Allowable Expenses	(9,000)	-
Taxable Profit	<u>20,465,195</u>	<u>37,696,613</u>
Income Tax - 28%	<u>5,730,254</u>	<u>10,555,052</u>
Estimated current income tax for the year/period	<u>5,730,254</u>	<u>10,555,052</u>

13. COMMITMENTS AND CONTINGENCIES

There are no capital expenditure commitment and contingencies as at the reporting date.

14. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no events occurring after the reporting date.



15. RELATED PARTY DISCLOSURES

15.1 Transactions with the parent and related entities

Details of significant related party disclosures are as follows.

Nature of Transaction	Parent Suzlon Energy Limited.		Affiliate*		Total	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Opening Balance	-	-	3,333,315	6,106,023	3,333,315	6,106,023
Material Purchased during the year	-	-	25,011,075	8,904,977	25,011,075	8,904,977
Consultancy Fee	-	-	27,846,408	-	27,846,408	-
Payment During the year	-	-	(23,567,593)	(11,677,685)	(23,567,593)	(11,677,685)
Invoices raised	51,475,703	-	-	-	51,475,703	-
Closing Balance	<u>51,475,703</u>	<u>-</u>	<u>32,623,205</u>	<u>3,333,315</u>	<u>84,098,908</u>	<u>3,333,315</u>

*This includes the transactions with Suzlon Global Services Limited.

Amounts due from / to Related Parties are disclosed under Note 5 and 8, whilst the following amounts have been disclosed under Trade and Other Receivables and Payables respectively in the balance sheet.

15.2 Transactions with Key Management Personnel of the Company and of its parent

The key management personnel of the Company are the members of its Board of Directors and that of its parent.

	2017 Rs.	2016 Rs.
Opening Balance	<u>300,000</u>	<u>300,000</u>
Closing Balance	<u>300,000</u>	<u>300,000</u>

15.3 Key Management personal compensation

There is no key management personal compensation as at the reporting date.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The company is mainly exposed to credit risk.

Credit risk

The company trades only with recognized and credit worthy third parties and all customers are subject to a credit verification process. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is minimal



SUZLON WIND ENERGY LANKA (PRIVATE) LIMITED

**DETAILED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2017**

Suzlon Wind Energy Lanka (Private) Limited

DETAILED EXPENDITURE STATEMENT

Year ended 31 March 2017

STATEMENT I

COST OF SALE

	Note	2017 Rs.	2016 Rs.
Cost of Goods and Direct Services	1	15,545,907	11,683,162
Factory Overhead	2	5,625,637	2,872,970
		<u>21,171,544</u>	<u>14,556,132</u>

Note 1

Cost of Goods and Direct Services

	2017 Rs.	2016 Rs.
Opening Stock	25,879,892	28,658,077.12
Add: Material Purchase/Transfer	25,011,075	8,904,977
Closing Stock	(35,345,060)	(25,879,892)
Material Consumption	<u>15,545,907</u>	<u>11,683,162</u>

Note 2

Factory Overhead

	2017 Rs.	2016 Rs.
Rent	115,530	100,895
Electricity and Water	297,162	573,860
Lodging & Boarding Expenses	21,938	59,038
Travelling Expenses	852,698	26,714
Clearing Expenses	608,582	426,174
Custom Duty	3,543,113	1,288,167
Repair & Maintenance	186,615	398,121
	<u>5,625,637</u>	<u>2,872,970</u>



Suzlon Wind Energy Lanka (Private) Limited

DETAILED EXPENDITURE STATEMENT

Year ended 31 March 2017

STATEMENT II

ADMINISTRATIVE EXPENSES

	2017 Rs.	2016 Rs.
Audit Fees	323,000	323,000
Secretarial Fees	66,515	74,433
Staff Welfare	2,095,128	2,391,231
Professional Charges	-	-
Printing & Stationary	49,751	55,351
Postage & Courier	2,688	39,642
Bank Charges	431,722	287,948
Depreciation	2,363	-
Office maintenance	-	-
Consultancy Services	27,846,408	765,866
Cook salary	272,916	272,000
DA settlement	-	-
Fire Insurance	26,074	28,609
Helper Salary	188,338	222,850
Machinery Maintenance	-	76,915
O & MWTG	-	-
Penalty Surcharges	-	321,798
Safety expenses	12,112	11,582
Salary expenses	13,814,828	11,451,043
Telephone Expenses	230,637	220,414
Other Expenses	6,270	-
EPF	3,010,820	1,377,182
ETF	451,628	344,306
Foreign Exchange Fluctuation	-	3,042,827
Insurance	668,953	310,124
Lodg& BoardngExpDome	76,002	72,539
ROC Fees	65,750	60,000
Vehicle Hire charges	-	11,500
VISA Charges	533,497	653,637
Medical & Dispensary	5,043	68,992
Paye	35,005	25,240
Conveyance Expenses	87,354	86,104
	<u>50,302,800</u>	<u>22,595,133</u>

