

**INDEPENDENT AUDITOR'S REPORT  
To The Members of ADANI ELBIT ADVANCED SYSTEMS INDIA LIMITED  
Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of Adani Elbit Advanced Systems India Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> 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 the significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone 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 financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the 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.

In conducting 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 and the Order issued under section 143(11) of the Act.

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 obtained by us 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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2018, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

### **Other Matters**

The comparative financial information of the Company for the period ended 31<sup>st</sup> March, 2017 prepared in accordance with Accounting Standards prescribed under Section 133 of the Companies Act, 2013 included in these Ind AS financial statements has been audited by predecessor auditor. The report of the predecessor auditor on the comparative financial information dated 5<sup>th</sup> May, 2017 expressed an unmodified opinion.

Our opinion on the Ind AS financial statements is not modified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, 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 the written representations received from the directors of the Company as on 31<sup>st</sup> March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.



## **Deloitte Haskins & Sells LLP**

- 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 which would impact its financial position.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins & Sells LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



*Kartikeya Raval*

Kartikeya Raval  
(Partner)  
(Membership No. 106189)

Place: Ahmedabad  
Date: 13 April, 2018

**Report on Internal Financial Controls Over Financial Reporting**

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Adani Elbit Advanced Systems India Limited ("the Company") as of 31<sup>st</sup> March, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditor's Responsibility**

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

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

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



### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Deloitte Haskins & Sells LLP,  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



*Kartikeya Raval*

Kartikeya Raval  
(Partner)  
(Membership No. 106189)

Place: Ahmedabad  
Date: 13<sup>th</sup> April, 2018

**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) The Company does not have any fixed assets and hence reporting under clause (i) of the Order is not applicable.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the Order is not applicable.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided guarantees which require compliance of section 185 and 186 of the Companies Act, 2013, and hence reporting under clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014, as amended, would apply. Accordingly, reporting under Clause (v) of the Order is not applicable.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Income-tax, cess and other material statutory dues applicable to it to the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Income-tax which have not been deposited as on March 31, 2018 on account of disputes.
- (viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause (viii) of the Order is not applicable.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.



## **Deloitte Haskins & Sells LLP**

- (xi) In our opinion and according to the information and explanations given to us, the Company has not paid any managerial remuneration to its directors, including managing director and whole-time director and hence reporting under clause (xi) of the Order is not applicable.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Deloitte Haskins & Sells LLP  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



*Kartikeya Raval*

Kartikeya Raval  
(Partner)  
(Membership No. 106189)

Place: Ahmedabad

Date: 13<sup>th</sup> April, 2018

# ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

Balance Sheet as at 31 March 2018

(Amount in ₹)

	Notes	As at 31st March,2018	As at 31st March,2017
<b>ASSETS</b>			
<b>Non-Current Assets</b>		-	-
<b>Current Assets</b>			
(a) Financial Assets			
(i) Cash & cash equivalents	3	5,219,450	103,376
(b) Other Current Assets	4	5,400	-
		<b>5,224,850</b>	<b>103,376</b>
<b>Total Assets</b>		<b>5,224,850</b>	<b>103,376</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
(a) Equity Share Capital	5	15,019,880	100,000
(b) Other Equity	6	(9,992,530)	(8,493,710)
<b>Total Equity</b>		<b>5,027,350</b>	<b>(8,393,710)</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>		-	-
<b>Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	7		4,987,924
(ii) Trade Payables	8	184,500	3,493,682
(b) Other Current Liabilities	9	13,000	15,480
		<b>197,500</b>	<b>8,497,086</b>
<b>Total Equity &amp; Liabilities</b>		<b>5,224,850</b>	<b>103,376</b>

See accompanying notes to the financial statements.

As per our report of even date  
For **DELOITTE HASKINS & SELLS LLP**  
CHARTERED ACCOUNTANTS

For and on behalf of the board of directors of  
**ADANI ELBIT ADVANCED SYSTEMS INDIA LIMITED**

*Kartikaya Raval*

**KARTIKEYA RAVAL**  
Partner

Place : Ahmedabad

Date : 13th April 2018

*Ashish*

**ASHISH RAJVANSI**  
Director  
DIN : 07590913

Place : Chennai

Date : 12th April 2018

*Roy Zentner*

**ROY ZENTNER**  
Director  
DIN : 06602888

Place : Chennai

Date : 12th April 2018



# ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

Statement of Profit and Loss for the year ended 31st March, 2018

		(Amount in ₹)	
	Notes	For the year ended 31st March, 2018	For the period from 7th November, 2016 to 31st March, 2017
Revenue from Operations		-	-
<b>Total Income</b>		-	-
<b>Expenses</b>			
Finance Costs	10	167,882	85,475
Other Expenses	11	1,330,938	8,408,235
<b>Total Expenses</b>		<b>1,498,820</b>	<b>8,493,710</b>
<b>Loss Before Tax</b>		<b>(1,498,820)</b>	<b>(8,493,710)</b>
<b>Tax Expense</b>			
Current Tax		-	-
Deferred Tax		-	-
<b>Total Tax Expenses</b>		-	-
<b>Loss For The Year / Period</b>		<b>(1,498,820)</b>	<b>(8,493,710)</b>
<b>Other Comprehensive Income</b>			
- Item that will be reclassified to Profit & Loss		-	-
- Item that will not be reclassified to Profit & Loss		-	-
<b>Total Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income for the Year / Period</b>		<b>(1,498,820)</b>	<b>(8,493,710)</b>
<b>Earnings per Share (Basic &amp; Diluted)</b>		<b>(1.00)</b>	<b>(849.37)</b>

See accompanying notes to the financial statements.

As per our report of even date  
For **DELOITTE HASKINS & SELLS LLP**  
CHARTERED ACCOUNTANTS

*Kartikaya Raval*

**KARTIKEYA RAVAL**  
Partner

Place : Ahmedabad  
Date : 13<sup>th</sup> April, 2018

For and on behalf of the board of directors of  
**ADANI ELBIT ADVANCED SYSTEMS INDIA LIMITED**

*Ashish*

**ASHISH RAJVANSI**  
Director  
DIN : 07590913

Place : Chennai  
Date : 12<sup>th</sup> April, 2018

*Roy Zentner*

**ROY ZENTNER**  
Director  
DIN : 06602888

Place : Chennai  
Date : 12<sup>th</sup> April 2018



# ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

Cash Flow Statement for the year ended 31st March, 2018

	(Amount in ₹)	
	For the year ended 31st March, 2018	For the period from 7th November, 2016 to 31st March, 2017
<b>A Cash Flow From Operating Activities</b>		
Loss before tax	(1,498,820)	(8,493,710)
<b>Adjustment on account of :</b>		
Finance Cost	167,882	85,475
Operating Loss Before Working Capital Changes	(1,330,938)	(8,408,235)
<b>Changes in Working Capital :</b>		
Increase in other current assets	(5,400)	-
Increase/(Decrease) in Trade Payables	(3,309,182)	3,493,682
Increase/(Decrease) in Other Current Liabilities	(2,480)	15,480
<b>Net Cash used in Operating Activities (A)</b>	<b>(4,648,000)</b>	<b>(4,899,073)</b>
<b>B Cash Flow From Investing Activities</b>		
<b>Net Cash Flow From Investing Activities (B)</b>	-	-
<b>C Cash Flow From Financing Activities</b>		
Proceeds From Issuance of Share Capital	14,919,880	100,000
Proceeds from / (repayment) of short term borrowings	(4,987,924)	4,987,924
Finance Cost Paid	(167,882)	(85,475)
<b>Net Cash generated from financing activities (C)</b>	<b>9,764,074</b>	<b>5,002,449</b>
<b>Net Increase /(Decrease) in Cash &amp; Cash Equivalents (A) +(B) +(C)</b>	<b>5,116,074</b>	<b>103,376</b>
Cash & Cash Equivalents at the beginning of the year/period	103,376	-
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>5,219,450</b>	<b>103,376</b>

## Note :-

The Cash Flow Statement has been prepared under the indirect method as set out in IND AS - 7 on Statement of Cash Flows notified under the Companies (Indian Accounting Standards) Rules, 2015

See accompanying notes to the financial statements.

As per our report of even date  
For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants

For and on behalf of the board of directors of  
**ADANI ELBIT ADVANCED SYSTEMS INDIA LIMITED**

*Kartikeya Raval*

*Ashish*

*Roy Zentner*

**KARTIKEYA RAVAL**  
Partner

**ASHISH RAJVANSHI**  
Director  
DIN : 07590913

**ROY ZENTNER**  
Director  
DIN : 06602888

Place : Ahmedabad  
Date : 13<sup>th</sup> April, 2018

Place : Chennai  
Date : 12<sup>th</sup> April, 2018

Place : Chennai  
Date : 12<sup>th</sup> April 2018



# ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

## Statement of Changes in Equity

### A. Share Capital

Particulars	Number of shares	(Amount in ₹)
Balance as at 7th November, 2016	-	-
<b>Changes in equity share capital during the period</b>		
Fresh issue of Equity Shares	10,000	100,000
<b>Balance as at 31st March, 2017</b>	<b>10,000</b>	<b>100,000</b>
<b>Changes in equity share capital during the year</b>		
Fresh issue of Equity Shares	1,491,988	14,919,880
<b>Balance as at 31st March, 2018</b>	<b>1,501,988</b>	<b>15,019,880</b>

### B. Other Equity

For the Year Ended 31st March 2017

(Amount in ₹)

Particulars	Retained Earnings
Balance as at 7th November, 2016	-
(Loss) for the Period	(8,493,710)
<b>Balance as at 31st March, 2017</b>	<b>(8,493,710)</b>

For the Year Ended 31st March 2018

(Amount in ₹)

Particulars	Retained Earnings
Balance as at 1st April 2017	(8,493,710)
(Loss) for the Year	(1,498,820)
<b>Balance as at 31st March, 2018</b>	<b>(9,992,530)</b>

See accompanying notes to the financial statements.

As per our report of even date

For **DELOITTE HASKINS & SELLS LLP**  
CHARTERED ACCOUNTANTS

For and on behalf of the board of directors of  
**ADANI ELBIT ADVANCED SYSTEMS INDIA LIMITED**

*Kartikaya Raval*

**KARTIKEYA RAVAL**  
Partner

*Ashish*

**ASHISH RAJVANSHI**  
Director  
DIN : 07590913

**ROY ZENTNER**  
Director  
DIN : 06602888

Place : Ahmedabad

Date : 13<sup>th</sup> April, 2018

Place : Chennai

Date : 12<sup>th</sup> April 2018

Place : Chennai

Date : 12<sup>th</sup> April 2018



**1 Corporate Information**

Adani - Elbit Advanced Systems India Limited was incorporated on 7th November 2016 under the Companies Act, 2013, jointly held by Adani Enterprises Limited and Elbit Systems Limited, to carry on the business activities related to manufacture of all kind of unmanned aircraft systems, unmanned aircraft vehicles use by armed forces including upgrades of system, components and spares of the same and to provide service, maintenance and support for the same.

**2 Summary of Significant Accounting Policies****a) Statement of Compliance**

Adani- Elbit Advance Systems India Limited ('the Company') has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015.

**b) Basis of preparation and presentation of financial statements**

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**c) Use of Significant Judgements, Estimates and Assumptions**

The preparation of financial statements in conformity with Ind AS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and differences between the actual results and the estimates are recognised in the periods in which the results are known / materialized.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**i) Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using ECL model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.



**d) Current & Non-Current Classification**

All the assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of activities and time between the activities performed and their subsequent realisation in cash or cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities.

**e) Foreign Currency Translation**

- a) Monetary items denominated in foreign currencies at the end of the year are re-measured at the exchange rate prevailing at the Balance sheet date .
- b) Non- monetary items are carried at cost
- c) Any income or expense on account of exchange difference either on settlement or on restatement is recognised in the Statement of Profit and Loss

**f) Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

For purposes of subsequent measurement, financial assets and liabilities are classified in various categories as under.

- > at amortised cost
- > fair value through other comprehensive income
- > fair value through profit and loss account

Financial instruments are subsequently measured and accounted based on their category. All financial instruments of the Company are covered under Amortised Cost. After initial measurement, such financial assets and liabilities are subsequently measured using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

**Derecognition of Financial Assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- a) The rights to receive cash flows from the asset have expired, or
- b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

**Impairment of Financial Assets**

The Company applies simplified approach model for measurement and recognition of impairment loss on the financial assets and credit risk exposure.

Under the simplified approach the Company does not track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

**Derecognition of Financial Liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

**g) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



**h) Earnings Per Share**

The Basic EPS has been computed by dividing the income available to equity shareholders by the weighted average number of equity shares outstanding during the accounting year. The Diluted EPS has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding, if any, at the end of the year.

**i) Taxes on Income**

Tax expense comprises of current income tax and deferred tax.

**a) Current Taxation**

In the absence of any taxable income, provision for taxation has not been made in accordance with the income tax laws prevailing for the relevant assessment year.

**b) Deferred Taxation**

Deferred tax is provided using the balance sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent it is probable that these assets can be realised in future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset where a legally enforceable right exists to offset current tax assets and liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**j) Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is possible that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are not recognised in the financial statements. The nature of such assets and an estimate of its financial effect are disclosed in notes to the Financial Statements.

**k) Operating Segment**

The Company's activities during the year revolve around manufacturing of unmanned aircraft systems. Considering the nature of Company's business, as well as based on reviews by the chief operating decision maker to make decisions about resource allocation and performance measurement, there is only one reportable segment of manufacturing of unmanned aircraft systems in accordance with the requirements of Ind AS - 108 - "Operating Segments", prescribed under Companies (Indian Accounting Standards) Rules, 2015

**3 Cash & cash equivalents**

(Amount in ₹)

Particulars	As at 31st March, 2018	As at 31st March, 2017
i) Balances with banks - In Current Account	5,219,450	103,376
<b>Total</b>	<b>5,219,450</b>	<b>103,376</b>

**4 Other Current Assets**

(Amount in ₹)

Particulars	As at 31st March, 2018	As at 31st March, 2017
Balance with Government Authorities	5,400	-
<b>Total</b>	<b>5,400</b>	<b>-</b>



# ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

Notes to Financial Statements for the year ended 31 March 2018

## 5 Equity Share Capital

	As at 31-Mar-2018		As at 31-Mar-2017	
	Numbers	Amt in ₹	Numbers	Amt in ₹
<b>Authorised shares</b>				
Equity Shares of Rs. 10/- each	3,000,000	30,000,000	10,000	100,000
<b>Issued, subscribed fully paid-up shares</b>				
15,01,988 Equity shares of Rs. 10/- each ( PY	1,501,988	15,019,880	10,000	100,000
10,000 Equity Shares of Rs 10 each)				
	<b>1,501,988</b>	<b>15,019,880</b>	<b>10,000</b>	<b>100,000</b>

### a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	As at 31-Mar-2018		As at 31-Mar-2017	
	Numbers	Amt in ₹	Numbers	Amt in ₹
<b>Equity shares</b>				
At the beginning of the Year/period	10,000	100,000		
Issued during the Year/period	1,491,988	14,919,880	10,000	100,000
Outstanding at the end of the Year/period	<b>1,501,988</b>	<b>15,019,880</b>	<b>10,000</b>	<b>100,000</b>

### b. Terms/ rights attached to equity shares

Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the liquidator may divide amongst the members, in piece or kind, the whole or any part of the assets of the company, after distribution of all preferential amounts.

### c. Shares held by holding company/Entity having joint control

Out of equity shares issued by the company, shares held by its holding company together with its nominees are as below :

	As at 31-Mar-2018		As at 31-Mar-2017	
	Numbers	Amt in ₹	Numbers	Amt in ₹
<b>Equity Shares</b>				
Adani Enterprises Limited	767,550	7,675,500	5,100	51,000
(Entity having joint control)				
	<b>767,550</b>	<b>7,675,500</b>	<b>5,100</b>	<b>51,000</b>

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

	As at 31-Mar-2018		As at 31-Mar-2017	
	Numbers	% holding	Numbers	% holding
<b>Equity Shares</b>				
Adani Enterprises Limited	767,550	51%	5,100	51%
Elbit Systems Limited	734,438	49%	4,900	49%
	<b>1,501,988</b>	<b>100%</b>	<b>10,000</b>	<b>100%</b>

## 6 Other equity

Particulars	(Amount in `)	
	As at 31st March, 2018	As at 31st March, 2017
Retained earnings	(9,992,530)	(8,493,710)
<b>Total</b>	<b>(9,992,530)</b>	<b>(8,493,710)</b>
<b>Retained earnings (refer note 1 below)</b>		
Balance at the beginning of the year/period	(8,493,710)	-
Loss for the year/period	(1,498,820)	(8,493,710)
Balance at the end of the year/period	<b>(9,992,530)</b>	<b>(8,493,710)</b>

Note 1: Retained earnings represent the amount that can be distributed by the company as dividend, bonus etc. considering the requirements of the Companies Act, 2013.



# ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

Notes to Financial Statements for the year ended 31 March 2018

## 7 Borrowings

(Amount in ₹)

Particulars	As at 31st March,2018	As at 31st March,2017
Unsecured Loan from Holding Company (The above loan is carrying interest at 10.5% p.a. and repayable on demand)	-	4,987,924
<b>Total</b>	<b>-</b>	<b>4,987,924</b>

## 8 Trade Payables

(Amount in ₹)

Particulars	As at 31st March,2018	As at 31st March,2017
Trade payables	-	-
- Micro, small and medium enterprise	184,500	3,493,682
- Others	-	-
<b>Total</b>	<b>184,500</b>	<b>3,493,682</b>

Note: Fair value of trade payables is not materially different from its carrying value presented.

## 9 Other Current Liabilities

(Amount in ₹)

Particulars	As at 31st March,2018	As at 31st March,2017
Share Application Money	-	6,334
Statutory liabilities	13,000	9,146
<b>Total</b>	<b>13,000</b>	<b>15,480</b>

## 10 Finance Cost

(Amount in ₹)

Particulars	For the year ended 31st March,2018	For the period from 7th November,2016 to 31st March,2017
Interest on Borrowings	167,882	85,475
<b>Total</b>	<b>167,882</b>	<b>85,475</b>

## 11 Other Expenses

(Amount in ₹)

Particulars	For the year ended 31st March,2018	For the period from 7th November,2016 to 31st March,2017
Business Promotion Expenses	580,188	8,382,432
Professional Fees	39,145	1,150
Filing Fees	363,534	500
Stamping Fees	167,020	-
Bank Charges	5,962	2,958
Payment to Auditors	-	-
- Statutory Audit Fees	100,000	14,375
Other Expenses	2,950	-
Printing & Stationery Expenses	72,139	-
Preliminary Expenses	-	6,820
<b>Total</b>	<b>1,330,938</b>	<b>8,408,235</b>



# ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

Notes to Financial Statements for the year ended 31 March 2018

## 12 Related party disclosures

### a) Related parties and their relationship

Name of the related party	Nature of relationship
Adani Enterprises Limited	Entities Having Joint Control
Elbit Systems Limited	Entities Having Joint Control
Mr. Ashish Rajvanshi	Key Management Personnel
Mr. Sudipta Bhattacharya	Key Management Personnel
Mr. Zach Hadad	Key Management Personnel
Mr. Moshe Carmon (up to 24th July 2017)	Key Management Personnel
Mr. Roy Zentner (From 25th July 2017)	Key Management Personnel

### b) Details of related party transactions during the year ended March 31, 2018 and balances outstanding as at March 31, 2018

Nature And Volume of transactions with Related Parties

(Amount in ₹)

Name of related party	Nature of transaction	For the Year ended 31st March, 2018	For the period from 7th November, 2016 to 31st March, 2017
Adani Enterprise Limited	Share capital received	7,624,500	51,000
	Loan taken	-	4,987,924
	Loan repaid	4,987,924	-
	Interest Expense	167,882	85,475
Elbit systems Limited	Share application money received	-	6,334
	Share application money repaid	6,334	-
	Reimbursement of Business Promotion Expenses	-	3,437,050
	Share capital received	7,295,380	49,000

### 13 Earning Per Share (EPS)

Particulars	For the Year ended 31st March, 2018	For the period from 7th November, 2016 to 31st March, 2017
Profit/(Loss) attributable to equity share holders	(1,498,820)	(8,493,710)
Weighted average number of equity shares	1,501,988	10,000
Basic and Diluted Earning Per Share (Rs./Share)	(1.00)	(849.37)



## ADANI-ELBIT ADVANCED SYSTEMS INDIA LIMITED

Notes to Financial Statements for the year ended 31 March 2018

### 14 Fair Value Measurement

Since the Company does not have any financial asset or liability measured at fair value, disclosure of fair value hierarchy and disclosure of category-wise assets and liabilities is not relevant. All financial assets and liabilities of the Company have been valued at amortised cost and their values are not expected to be different than those presented in financial statements.

The Company's principal financial liabilities comprise borrowings, provisions, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations/projects. The Company's principal financial assets include cash and cash equivalents. In the ordinary course of business, the Company is mainly exposed to risks resulting from interest rate movements (interest rate risk), liquidity risk and credit risk.

### 15 Interest Risk

The Company is exposed to changes in interest rates due to its financing, investing and cash management activities. The risks arising from interest rate movements arise from borrowings with variable interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The risk management activities are subject to the management, direction and control of Central Treasury Team of both the JV partners under the framework of Risk Management Policy for interest rate risk. The treasury team ensures appropriate financial risk governance framework for the JV entity through appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the policies and risk objectives.

### 16 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the company. The company has adopted the policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial losses from default. The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk. Cash are held with creditworthy financial institutions.

### 17 Liquidity risk

The Company monitors its risk of shortage of funds using cash flow forecasting models. These models consider the maturity of its financial investments, committed funding and projected cash flows from operations. The Company's objective is to provide financial resources to meet its business objectives in a timely, cost effective and reliable manner and to manage its capital structure. A balance between continuity of funding and flexibility is maintained through the use of various types of borrowings.

### 18 Disclosures under MSMED Act

There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

19 The comparative information is from 7th November, 2016 (date of incorporation of the company) to 31st March, 2017. Accordingly, the current year's numbers are not comparable to those of the previous period.

20 Approval of financial statements: The financial statements were approved for issue by the board of directors on 12th April, 2018

As per our report of even date  
For DELOITTE HASKINS & SELLS LLP  
Chartered Accountants

KARTIKEYA RAVAL  
Partner

Place: Ahmedabad  
Date: 13th April, 2018



For and on behalf of Board of Directors  
ADANI ELBIT ADVANCED SYSTEMS INDIA LIMITED

ASHISH RAJVANSHI  
Director  
DIN : 07590913

Place: Chennai  
Date: 12th April, 2018

ROY ZENTNER  
Director  
DIN : 06602888

Place: Chennai  
Date: 12th April, 2018