

CG Drives & Automation Netherlands B.V.
BLADEL

INTERNAL Report on the
annual accounts 1 April 2021 until 31 March 2022

26 April 2022

INDEPENDENT AUDITOR'S REPORT

To: The shareholders of CG Drives & Automation Netherlands B.V.

A. Report on the audit of the financial statements 2021/22 included in the annual report

Our opinion

We have audited the financial statements March 31, 2022 of CG Drives & Automation Netherlands B.V. based in Bladel.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CG Drives & Automation Netherlands B.V. as at March 31, 2022 and of its result for 2021/22 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 March 2022;
2. the profit and loss account for 2021/22; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards of Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of CG Drives & Automation Netherlands B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements
Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.



Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:


- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Voorburg, April 26, 2022

Audit To Be B.V.


Cornelis
Leonardus van
Leeuwen
C.L. van Leeuwen AA

Digitaal ondertekend door Cornelis
Leonardus van Leeuwen
DN: cn=Cornelis Leonardus van Leeuwen,
c=NL, o=Cornelis Leonardus van Leeuwen,
email=k.vanleeuwen@audit-to-be.nl
Reden: Digital signing
Datum: 2022.04.26 16:01:20 +02'00'

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Financial statements

Balance sheet as at 31 March 2022

(Before appropriation of result)

Assets

		31-03-2022		31-03-2021	
		EUR	EUR	EUR	EUR
Fixed assets					
Tangible fixed assets	1		46.721		46.818
Current assets					
Inventories	2		422.411		306.757
Receivables	3		3.671.559		1.988.241
Cash			1.804.604		2.526.286
			5.945.295		4.868.102
Liabilities					
Shareholders' equity	4				
Issued share capital		594.000		594.000	
Other reserve	5	2.909.428		2.636.226	
Result for the year		471.937		273.202	
			3.975.365		3.503.428
Provisions	6		9.244		8.656
Current liabilities, accruals and deferred income	7				
			1.960.686		1.356.018
			5.945.295		4.868.102

Profit and loss account for the period 01-04-2021 until 31-03-2022

		<u>2021 / 2022</u>		<u>2020 / 2021</u>	
		EUR	EUR	EUR	EUR
Net Turnover	8	6.338.147		6.795.760	
Cost of goods sold	9	<u>(4.113.332)</u>		<u>(4.818.241)</u>	
Gross margin			2.224.815		1.977.519
Personnel expenses	10	1.144.979		1.250.090	
Depreciation of intangible and tangible fixed assets	11	16.604		15.671	
Other operating expenses		<u>469.310</u>		<u>372.550</u>	
Total operating expenses			<u>1.630.893</u>		<u>1.638.311</u>
Operating result			<u>593.922</u>		<u>339.208</u>
Financial income and expense	12		<u>(1.657)</u>		<u>1.639</u>
Result of ordinary activities before taxation			592.265		340.847
Taxation			(120.328)		(67.645)
Net result after taxation			<u>471.937</u>		<u>273.202</u>

Notes to the financial statements

General notes

The most important activities of the entity

The activities of CG Drives & Automation Netherlands B.V., with its registered office and actual place of business in Polakkers 5, BLADEL, the Netherlands, filed with the Trade Register at the Chamber of Commerce under number 17033961, primarily consist of: the development, production and marketing of inverter products including electrical motor drives, and the trade of related products.

Disclosure of going concern

The financial statements are prepared according to going concern assumptions.

Disclosure of group structure

The company is a wholly owned subsidiary of CG Power and Industrial Solutions Ltd, India (L99999MH1937PLC002641), listed on the Bombay stock exchange in India. Since November 2020, Tube Investment of India limited (TII) (L35100TN2008PLC069496) - part of The Murugappa Group, one of India's leading business conglomerates, having 28 businesses including nine listed Companies traded in National stock exchange and Bombay stock exchange in India and the ultimate holding company - owns 55,64% share in CG Power and Industrial Solutions Ltd.

The subsidiaries of CG Power and Industrial Solutions Ltd are referred to as affiliated companies. The main part of the cost of sales relates to purchases from affiliated companies. The financial information of the company has been recorded in the consolidated financial statements of CG Power and Industrial Solutions Ltd.

Disclosure of estimates

In applying the principles and policies for drawing up the financial statements, the directors of CG Drives & Automation Netherlands B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

Government grant related to Covid-19

As part of the government support plan related to the Covid-19 pandemic, CG Drives & Automation Netherlands B.V. has applied for a grant (NOW 1.0 arrangement) for coverage of personnel costs. Following the final declaration, an amount of EUR 28.574 contributed to the yearly result 2021.

General accounting principles

The accounting standards used to prepare the financial statements

The financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost.

Disclosure of the differences in valuation between fiscal and commercial accounting principles

There is a probability that the Dutch Tax Authorities will not accept the chosen transfer pricing policy. The Board has been made aware of this probability.

Foreign currency translation for the balance sheet

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional

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Operating leases

The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the profit and loss account for the duration of the contract.

Accounting principles

Property, plant and equipment

Land and buildings are valued at historical cost plus additional costs or production cost less straight-line depreciation based on the expected life. Land is not depreciated. Impairments expected on the balance sheet date are taken into account.

Other tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.

Inventories

Inventories (stocks) are valued at cost price based on the FIFO method, based on the standard cost or moving average price used by the related supplier, consisting of material plus primary overhead loading.

The cost price consists of the historical cost or production cost and costs incurred in order to bring the stocks to their current location and current condition.

The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

Receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. For security of payments, a credit insurance is in place.

Provisions for bad debts are deducted from the carrying amount of the receivable.

Cash and cash equivalents

Cash at banks and in hand represent bank balances and deposits with terms of less than twelve months.

Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is valued at nominal value.

Provisions

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions for pension are valued on the basis of actuarial principles. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

Provision for tax liabilities

Deferred tax liabilities are recognised for temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other. The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred tax balances are valued at nominal value.

Other provisions

Jubilee provision:

Other long-term employee benefits are those benefits that are part of the remuneration package, such as remunerations for jubilee and have a long-term character. The net liability for these employee benefits is the amount of the future and prior reporting periods. This provision has been calculated using the expected discounted future cash outflow.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Accounting principles for determining the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Revenue recognition

Net turnover comprises the income from the supply of goods and services and realised income from construction contracts after deduction of discounts and such like and of taxes levied on the turnover.

Gross operating result

The gross margin includes the net turnover, consumables and costs of sales, and other external costs. Net turnover comprises the income from the supply of goods and services and realised income from construction contracts after deduction of discounts and such like and of taxes levied on the turnover.

Revenues from the goods supplied are recognised when all significant risks and rewards in respect of the goods have been transferred to the buyer.

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Applied policy of pension costs

CG Drives & Automation Netherlands B.V. applies the liability approach to account for all pension schemes. The premium payable during the reporting year is recorded as an expense.

The provisions of the Netherlands Pensions Act ('Pensioenwet') apply to the Dutch pension schemes and CG Drives & Automation Netherlands B.V. pays compulsory, contractual or voluntary contributions to pension funds and insurance companies. The contributions are recorded as personnel costs from the date that they become payable.

Prepaid contributions are reported as accrual if this results in a repayment or a reduction in future payments.

Contributions that are not yet paid are included as a liability in the balance sheet.

Other interest income and related income

Interest income are recognised on a pro rata basis, taking account of the effective interest rate of the assets to which they relate.

Interest expenses and related expenses

Interest expenses are recognised on a pro rata basis, taking account of the effective interest rate of the liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

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Income tax expense

Tax on the result is calculated based on the result before tax in the profit and loss account, taking account of the losses available for set-off from previous financial years and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Notes to the balance sheet

Assets

1 Tangible fixed assets

A summary of the movements from 1 April 2021 until 31 March 2022 is given below:

	Machinery and equipment	Office equipment	Total
	EUR	EUR	EUR
Balance as at 1 April 2021			
Acquisition costs	177.217	114.059	291.276
Cumulative depreciation	(164.118)	(80.340)	(244.458)
Book value as at 1 April 2021	<u>13.099</u>	<u>33.719</u>	<u>46.818</u>
Movements			
Investments	14.833	1.675	16.508
Divestments	-	(22.278)	(22.278)
	<u>14.833</u>	<u>(20.603)</u>	<u>(5.770)</u>
Depreciation	(5.760)	(10.844)	(16.604)
Divestments	-	22.278	22.278
	<u>(5.760)</u>	<u>11.434</u>	<u>5.674</u>
Balance movements	<u>9.072</u>	<u>(9.169)</u>	<u>(96)</u>
Book value as at 31 March 2022			
Acquisition costs	192.050	93.456	285.505
Cumulative depreciation	(169.879)	(68.906)	(238.784)
Book value as at 31 March 2022	<u>22.171</u>	<u>24.550</u>	<u>46.721</u>
Depreciation percentages	20 %	20 %	

2 Inventories

A provision for obsolescence of EUR 24.349 (March 31, 2021: EUR 27.292) is made and included in the inventory value.

	31-03-2022	31-03-2021
	EUR	EUR
3 Receivables		
Trade receivables	931.885	523.733
Receivables from group companies	2.665.623	1.409.825
Other accounts receivable	74.051	54.683
	<u>3.671.559</u>	<u>1.988.241</u>

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	<u>31-03-2022</u> EUR	<u>31-03-2021</u> EUR
Trade receivables		
Debtors	<u>931.885</u>	<u>523.733</u>

The debtors contains no provision for doubtful debtors (March 31, 2021: EUR 0).

	<u>31-03-2022</u> EUR	<u>31-03-2021</u> EUR
Receivables from group companies		
Intercompany loan	2.650.000	1.400.000
Intercompany debtors	<u>15.623</u>	<u>9.825</u>
	<u>2.665.623</u>	<u>1.409.825</u>

	<u>31-03-2022</u> EUR	<u>31-03-2021</u> EUR
Other accounts receivable		
Other amounts receivable	<u>74.051</u>	<u>54.683</u>
	<u>74.051</u>	<u>54.683</u>

	<u>31-03-2022</u> EUR	<u>31-03-2021</u> EUR
Other amounts receivable		
Prepaid expenses	<u>74.051</u>	<u>54.683</u>

Notes to the balance sheet

4 Shareholders' equity

Movements in equity were as follows:

	Issued share capital	Other reserve	Result for the year	Total
	EUR	EUR	EUR	EUR
Balance as at 1 April 2021	594.000	2.636.226	273.202	3.503.428
Appropriate earnings prior year	-	-	(273.202)	(273.202)
Retained earnings			471.937	471.937
Increase due to appropriation of profit	-	273.202	-	273.202
Balance as at 31 March 2022	<u>594.000</u>	<u>2.909.428</u>	<u>471.937</u>	<u>3.975.365</u>

5 Other reserve

	2021 / 2022	2020 / 2021
	EUR	EUR
Balance as at 1 April 2021	2.636.226	2.419.484
Increase due to appropriation of profit	<u>273.202</u>	<u>216.742</u>
Balance as at 31 March 2022	<u>2.909.428</u>	<u>2.636.226</u>

Retained earnings

	2021 / 2022	2020 / 2021
	EUR	EUR
Balance as at 1 April 2021	273.202	216.742
Appropriated earnings prior year	(273.202)	(216.742)
Retained earnings	<u>471.937</u>	<u>273.202</u>
Balance as at 31 March 2022	<u>471.937</u>	<u>273.202</u>

6 Provisions

	31-03-2022	31-03-2021
	EUR	EUR
Deferred taxes	-	-
Other provisions	<u>9.244</u>	<u>8.656</u>
Balance as at 31 March 2022	<u>9.244</u>	<u>8.656</u>

	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
Deferred taxes		
Balance as at 1 April 2021	-	-
Release of provision for deferred tax	-	-
Balance as at 31 March 2022	<u>-</u>	<u>-</u>

	<u>31-03-2022</u>	<u>31-03-2021</u>
	EUR	EUR
Other provisions		
Jubilee provision	<u>9.244</u>	<u>8.656</u>

	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
Jubilee provision		
Balance as at 1 April 2021	8.656	10.093
Movement in other employee benefits	588	(1.437)
Balance as at 31 March 2022	<u>9.244</u>	<u>8.656</u>

	<u>31-03-2022</u>	<u>31-03-2021</u>
	EUR	EUR
7 Current liabilities, accruals and deferred income		
Accounts payable	138.180	124.128
Liabilities to group companies	689.998	231.753
Taxes and social security charges	491.919	363.114
Other payables	640.589	637.023
	<u>1.960.686</u>	<u>1.356.018</u>

	<u>31-03-2022</u>	<u>31-03-2021</u>
	EUR	EUR
Accounts payable		
Creditors	<u>138.180</u>	<u>124.128</u>

	<u>31-03-2022</u>	<u>31-03-2021</u>
	EUR	EUR
Liabilities to group companies		
Intercompany creditors	<u>689.998</u>	<u>231.753</u>

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	<u>31-03-2022</u>	<u>31-03-2021</u>
	EUR	EUR
Taxes and social security charges		
Value added tax	336.967	278.422
Wage and social securities	34.623	46.043
Company tax	<u>120.329</u>	<u>38.649</u>
	<u>491.919</u>	<u>363.114</u>
	<u>31-03-2022</u>	<u>31-03-2021</u>
	EUR	EUR
Other payables		
Accrued auditors fees	33.000	33.000
Accrued bonuses employees	15.231	40.473
Holiday pay fund	171.426	154.498
Other liabilities	<u>420.932</u>	<u>409.052</u>
	<u>640.589</u>	<u>637.023</u>

Non-recognised assets and liabilities and contingent assets and liabilities

Disclosure of off-balance sheet commitments

On 31 March 2022 the legal entity granted EUR 23,071 (31 March 2021 EUR: 23,071) worth of warranties and guarantees.

The aggregate annual amount of property rental obligations entered into with third parties amounts to EUR 53,034. Of this amount EUR 48,954 expires within one year and EUR 4,080 between one till two years.

The obligations for leases entered into with third parties are EUR 255,314. Of this amount EUR 78,211 is due within one year and EUR 177,103 is due between one till five years.

Starting the financial year 2021, the company is part of a fiscal entity for the Corporate Income Tax, headed by CG International BV.

Notes to the profit and loss account

7 Net turnover

The net turnover for 2021/2022 of the legal entity has decreased by -6,7% compared to 2020/2021.

9 Cost of sales

Wages and salaries have been included in the cost of sales for the amount of EUR 155,883.

	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
10 Personnel expenses		
Wages and salaries	849.196	914.425
Social security charges and pensions cost	<u>295.783</u>	<u>335.665</u>
	<u>1.144.979</u>	<u>1.250.090</u>
	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
Wages and salaries		
Wages and salaries	872.588	914.425
Covid-19 grant	<u>(23.392)</u>	<u>(44.795)</u>
	<u>849.196</u>	<u>869.630</u>
	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	Number	Number
Average number of employees		
Average number of employees	15,00	17,00
	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
Social security charges and pension costs		
Social security charges	160.567	188.207
Pension premiums	<u>135.216</u>	<u>147.458</u>
	<u>295.783</u>	<u>335.665</u>
	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
11 Depreciation of intangible and tangible fixed assets		
Depreciation of tangible fixed assets	<u>16.604</u>	<u>15.671</u>

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	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
Other staff expenses		
Canteen expenses	2.344	2.996
Recruitment expenses	22.273	767
External employees	43.154	10.991
Industrial clothing	4.280	384
Travelling allowance	15.037	14.352
Education allowance	15.694	3.706
Various other personnel expenses	11.505	5.912
	<u>114.287</u>	<u>39.108</u>
	<u>2021 / 2022</u>	<u>2020 / 2021</u>
	EUR	EUR
10 Financial income and expense		
Other interest and similar income	10.791	6.648
Interest and similar expenses	<u>(12.448)</u>	<u>(5.009)</u>
	<u>(1.657)</u>	<u>1.639</u>

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Other information