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XYZ Limited

Actuarial Valuation Report as at 31 December 2017
Defined Benefit - End of Service Benefit Plan
International Accounting Standard IAS 19 (Revised 2011, effective from 1 Jan, 2013)

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Content

1 Report Highlights and Certification

1.1 Overview

KP Actuaries and Consultants (''KPAC'') has been requested by XYZ Limited (the 'Company') to assist them with the preparation of financial reports in accordance with International Accounting Standards IAS 19 (Revised 2011, effective from 1 Jan, 2013) for defined benefit plans relating to the End of Service Benefit scheme for the period ending 31-12-2017.

The results set out in the Report are based on requirements of IAS 19 (Revised 2011) and its application to the Plan. They have been prepared for specific requirements of IAS 19 (Revised 2011) and should not be used for any other purpose. In particular, this Report does not constitute a formal funding actuarial valuation of the Plan and does not present any recommendation of the contributions or funding levels. The Report is based on our understanding of the IAS 19 (Revised 2011) and its application to the scheme. This Report may not be used or relied upon by any other party or for any other purpose. We are not responsible for the consequences of any unauthorized use.

This Report is provided solely for the Company's use and for the specific purposes indicated above. Except where we expressly agree in writing, it should not be disclosed or provided to any third party, other than as provided below. In the absence of any such consent or an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this Report or any advice relating to its content. The Company may make a copy of this Report available to its auditors, but we make no representation as to the suitability of this Report for any purpose other than for which it was originally provided and accept no responsibility or liability to the Company's auditors in this regard. It may also be highlighted to the auditor(s) that they should check the reasonableness of assumptions as well as relevance, completeness and accuracy of the source data used in preparation of this Report. The Company should draw the provisions of this paragraph to the attention of its auditors when passing this Report to them.

This Report is a summary of the Plan's financial position at a particular time; it does not predict the plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of the future financial soundness of the plan.

This Report has been prepared in accordance with applicable provisions, to the extent they are relevant and material, under the relevant Actuarial Practice Standards / Guidance Notes issued by the Institute of Actuaries of India at the current valuation date.

All numbers in this Report relating to the valuation dates earlier than the current valuation date have been produced from the previous actuarial reports provided by the Company. All numbers relating to plan assets, including movement in plan assets, incorporated in this Report have been received as an input from the Company.

All monetary amounts mentioned in this Report are in Saudi Riyal (SAR), unless mentioned otherwise.

This Report must be considered in its entirety as individual sections may be misleading if considered in isolation.

1.2 Data and Benefit Plan

To prepare this Report, we have **relied on the completeness and accuracy of the information provided** to us orally and in writing by or on behalf of the Company and its employees. We have reviewed the participant data for internal consistency and general reasonableness but we have not audited the information provided or completed any detailed validation checks on the information provided. The Company is solely responsible for the validity, accuracy and comprehensiveness of this information; if the data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information.

1.3 Valuation Assumptions

To prepare this Report, assumptions are used in a forward looking financial and demographic model. The **assumptions used in preparation of this Report have been selected by the Company.**

The Company has chosen a single set of assumptions from a range of possibilities. The results of that single scenario are included in this Report. However, future is uncertain and the plan's actual experience can differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. A sensitivity analysis, included in Section 7.1 of this Report, shows the degree to which the results would be different if alternative assumptions are substituted for those utilized in this Report. Any decision about benefit changes, investment policy, funding methods should be made only after careful consideration of alternative assumptions, future financial conditions and scenarios and not solely on the basis of this Report.

Determination of actuarial assumptions depends on various factors such as the Company's internal commercial and business plan, various industry factors, applicable economic factors, internal HR related policies (including any changes thereto), regulatory factors, etc. Since we don't have access to or possess knowledge of all these factors, the assumptions selected by the Company have been relied upon.

Actuarial assumptions, as discussed in the Report, may be changed from one valuation to the next because of changes in mandated requirements, plan's experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

1.4 Certification

Based on the inputs provided by the Company (Benefit Structure, Valuation Assumptions and Data, as mentioned in Sections 3.2, 5 and 6.1 respectively of this Report) and based on the Valuation Methodology (as described in Section 3.1 of this Report), I certify that the Present Value of Obligation as at 31-12-2017 is Saudi Riyal (SAR) 4,599,640.

Before accepting this Report, the Company is requested to validate that the inputs (Benefit Structure, Valuation Assumptions and Data) are correctly reflected in this Report. The Company is also requested to validate the discontinuance liability (or wind up liability) given in Section 10 of this Report.

The Company should notify me promptly after receipt of this Report if the Company disagrees with anything contained in this Report or is aware of any information that would affect the results contained in this Report that have not been communicated to me or incorporated herein. The Report will be deemed final and acceptable unless the Company promptly provides a notice to me.

This Report is based on my understanding of applicable accounting standard(s), laws and regulations as on the current valuation date. It should be noted that I am not an accountant or auditor and not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this Report are for reference purpose only. It should also be noted that I am not engaged in the practice of law. This Report does not constitute and is not a substitute for legal advice.

I am not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest that would impair the objectivity of my work. I am available to answer any questions on the material contained in the Report, or to provide explanations or further details as may be appropriate.

October 23, 2018
Date

Khushwant Pahwa (FIAI)
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2 Summary of Results

The valuation results as at 31-12-2017 are summarised in the tables below:

2.1 Assets and Liability (Balance Sheet Position)

refer para 64 of IAS 19

Particulars	As on				
	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Present Value of Obligation	-	-	-	3,606,517	4,599,640
Fair Value of Plan Assets	-	-	-	2,217,819	2,641,700
Surplus / (Deficit)	**-**	**-**	**-**	**(1,388,698)**	**(1,957,940)**
Effects of Asset Ceiling, if any	-	-	-	-	-
Net Asset / (Liability)	**-**	**-**	**-**	**(1,388,698)**	**(1,957,940)**

2.2 Expenses Recognized during the period

refer para 120 of IAS 19

Particulars	For the period ending				
	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
In Income Statement	-	-	-	3,606,517	801,636
In Other Comprehensive Income	-	-	-	-	267,606

3 Characteristics of Defined Benefit Plan and Risks Associated with it

3.1 Actuarial Valuation Method

refer para 67 of IAS 19

The valuation has been carried out using the Project Unit Credit Method as per IAS 19 to determine the Present Value of Defined Benefit Obligations and the related Current Service Cost and, where applicable, Past Service Cost. It should be noted that valuations do not affect the ultimate cost of the plan, only the timing of when the benefit costs are recognised.

3.2 The Benefits Valued

refer para 139(a)(i) of IAS 19

The benefit valued in this Report are summarised below:

Type of Plan	Defined Benefit
Employer's Contribution	100%
Employee's Contribution	Nil
Salary for calculation of End of Service Benefit	Last drawn salary
Normal Retirement Age	60 Years
Vesting period	2 Years
Benefit on normal retirement (ESB)	Kindly refer to note below
Benefit on resignation / withdrawal	Same as normal retirement benefit based on the service upto the date of exit multiplied by entitlement ratio in event of voluntary resignation as mentioned in below table.
Benefit on death in service	Same as normal retirement benefit based on the service upto the date of exit with no vesting condition.
Limit	No Limit

* In case of employees with age above the retirement age indicated above, the retirement is assumed to happen immediately and valuation is done accordingly.

Length of Service	End of Service Benefit (ESB) Award	Entitlement ratio in event of voluntary resignation
Less than 2 years	15 days salary for each completed year	Nil
2 - 5 Years	15 days salary for each completed year	One Third
5 - 10 Years	For first five years: 15 days salary for each completed year For remaining service: 30 days salary for each completed year	Two Third
Above 10 Years	For first five years: 15 days salary for each completed year For remaining service: 30 days salary for each completed year	Full

It should be noted that we have used and relied on the plan provisions supplied by the Company (as summarised above). The Company is solely responsible for the validity, accuracy and comprehensiveness of this information. If the provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained based on accurate and complete information.

3.3 Description of Regulatory Framework in which Plan operates

refer para 139(a)(ii) of IAS 19

Details for disclosure to be decided by the Company.

3.4 Description of Entity's Responsibilities for Governance

refer para 139(a)(iii) of IAS 19

Details for disclosure to be decided by the Company.

3.5 Description of Risk Exposures

refer para 139(b) of IAS 19

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above End of Service Benefit benefit which are as follows:

Interest Rate risk: The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).

Liquidity Risk: This is the risk that the Company is not able to meet the short-term End of Service Benefit payouts. This may arise due to non availabilty of enough cash / cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

Salary Escalation Risk: The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liabilty.

Demographic Risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Regulatory Risk: End of Service Benefit benefit is paid in accordance with the requirements of the local laws. There is a risk of change in regulations requiring higher End of Service Benefit payouts.

Asset Liability Mismatching or Market Risk: The duration of the liabilty is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

Investment Risk: The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Note: The above is a standard list of risk exposures in providing the End of Service Benefit benefit. The Company is advised to carefully examine the above list and make suitable amendments (including adding more risks, if relevant) to the same before disclosing the above in its financial statements.

3.6 Effect of any Amendments, Curtailments and Settlements

refer para 139(c) of IAS 19

Not applicable in this case.

4 Explanation of Amounts in Financial Statements

The valuation results for the defined benefit End of Service Benefit plan as at 31-12-2017 are produced in the tables below:

4.1 Changes in the Present Value of Obligation

refer para 140(a)(ii) and 141 of IAS19

Particulars	For the period ending	
	31-Dec-16	31-Dec-17
Present Value of Obligation as at the beginning	**-**	**3,606,517**
Current Service Cost	588,669	760,004
Interest Expense or Cost	-	108,120
Re-measurement (or Actuarial) (gain) / loss arising from:		
- change in demographic assumptions	-	46,648
- change in financial assumptions	-	18,585
- experience variance (i.e. Actual experience vs assumptions)	-	230,808
- others	-	-
Past Service Cost	3,017,848	-
Effect of change in foreign exchange rates	-	-
Benefits Paid	-	(171,042)
Acquisition Adjustment	-	-
Effect of business combinations or disposals	-	-
Present Value of Obligation as at the end	**3,606,517**	**4,599,640**

4.2 Bifurcation of Present Value of Obligation

Particulars	As on	
	31-Dec-16	31-Dec-17
Current Liability (Short term)	978,786	1,028,860
Non-Current Liability (Long term)	2,627,732	3,570,780
Present Value of Obligation as at the end	**3,606,517**	**4,599,640**

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4.3 Changes in the Fair Value of Plan Assets

refer para 140(a)(i) and 141 of IAS19

Particulars	For the period ending	
	31-Dec-16	31-Dec-17
Fair Value of Plan Assets as at the beginning	**-**	**2,217,819**
Investment Income	-	66,488
Employer's Contribution	2,217,819	500,000
Employee's Contribution	-	-
Benefits Paid	-	(171,042)
Return on plan assets , excluding amount recognised in net interest expense	-	28,435
Acquisition Adjustment	-	-
Fair Value of Plan Assets as at the end	**2,217,819**	**2,641,700**

4.4 Change in the Effect of Asset Ceiling

refer para 140(a)(iii) and 141 of IAS19

Particulars	For the period ending	
	31-Dec-16	31-Dec-17
Effect of Asset Ceiling at the beginning	**-**	**-**
Interest Expense or Cost (to the extent not recognised in net interest expense)	-	-
Re-measurement (or Actuarial) (gain)/loss arising because of change in effect of asset ceiling	-	-
Effect of Asset Ceiling at the end	**-**	**-**

4.5 Expenses Recognised in the Income Statement

refer para 57(c) of IAS19

Particulars	For the period ending	
	31-Dec-16	31-Dec-17
Current Service Cost	588,669	760,004
Past Service Cost	3,017,848	-
Loss / (Gain) on settlement	-	-
Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset)	-	41,632
Expenses Recognised in the Income Statement	**3,606,517**	**801,636**

4.6 Other Comprehensive Income

refer para 57(d) of IAS19

Particulars	For the period ending	
	31-Dec-16	31-Dec-17
Actuarial (gains) / losses		
- change in demographic assumptions	-	46,648
- change in financial assumptions	-	18,585
- experience variance (i.e. Actual experience vs assumptions)	-	230,808
- others	-	-
Return on plan assets, excluding amount recognised in net interest expense	-	(28,435)
Re-measurement (or Actuarial) (gain)/loss arising because of change in effect of asset ceiling	-	-
Components of defined benefit costs recognised in other comprehensive income	**-**	**267,606**

4.7 Major categories of Plan Assets (as percentage of Total Plan Assets)

refer para 142 of IAS 19

Particulars	As on	
	31-Dec-16	31-Dec-17
Government securities	-	-
State Government securities	-	-
High quality corporate bonds	-	-
Equity shares of listed companies	-	-
Property	-	-
Special Deposit Scheme	-	-
Funds managed by Insurer	100%	100%
Bank balance	-	-
Other Investments	-	-
Total	**100%**	**100%**

5 Actuarial Assumptions

We have used actuarial assumptions selected by the Company. The Company has been advised that the assumptions selected should be unbiased and mutually compatible and should reflect the Company's best estimate of the variables of the future. The Company has also been advised to consider the requirements of Para 144 of IAS19 (Revised 2011) in this regard.

5.1 Financial Assumptions

The principal financial assumptions used in the valuation are shown in the table below:

Particulars	As on	
	31-Dec-16	31-Dec-17
Discount rate (per annum)	3.00%	3.00%
Salary growth rate (per annum)	0.50%	0.60%

The discount rate indicated above reflects the estimated timing and currency of benefit payments. It is based on the yields / rates available on applicable bonds as on the current valuation date.

The salary growth rate indicated above is the Company's best estimate of an increase in salary of the employees in future years, determined considering the general trend in inflation, senority, promotions, past experience and other relevant factors such as demand and supply in employment market, etc.

5.2 Demographic Assumptions

The principal demographic assumptions used in the valuation are shown in the table below:

Particulars	As on	
	31-Dec-16	31-Dec-17
Mortality rate (of IALM 2006-08)	100%	100%
Normal retirement age	60 Years	60 Years
Attrition / Withdrawal rate (per annum)	25%	23%

Attrition rate indicated above represents the Company's best estimate of employee turnover in future (other than on account of retirement, death or disablement) determined considering various factors such as nature of business, retention policy, industry factors, past experience, etc.

Please refer section 8 (8.3) and 9 (9.1 and 9.2) to see how the assumption are derived.

Table of sample mortality rates from Indian Assured Lives Mortality 2006-08

Mortality (per annum)		
Age	**Male**	**Female**
20 years	0.089%	0.089%
25 years	0.098%	0.098%
30 years	0.106%	0.106%
35 years	0.128%	0.128%
40 years	0.180%	0.180%
45 years	0.287%	0.287%
50 years	0.495%	0.495%
55 years	0.789%	0.789%
60 years	1.153%	1.153%
65 years	1.700%	1.700%
70 years	2.585%	2.585%

5.3 Reasonableness of Assumptions

The assumptions used in this Report, other than the rates of mortality, are the expectations of the Company for future years. The Company acknowledges that it has been advised to consider the relevant factors (including historical trends, which may or may not be suitable for future projections or may be suitable only after certain adjustments / modifications) in determination of assumptions.

The Company has also been advised on the sensitivity of results to change in the chosen assumptions (given in Section 7 of this Report, indicating the potential impact of change in assumptions) and experience variance / adjustments (given in Section 4.1 of this Report, indicating the impact of the actual experience being different from assumptions made in the past).

Since it is the Company's prerogative to decide on expected future trends and since the Company is best aware of the various factors affecting the future trends, the assumptions given by the Company have been accepted. However, the Company is advised to consider strengthening of salary growth rate assumption.

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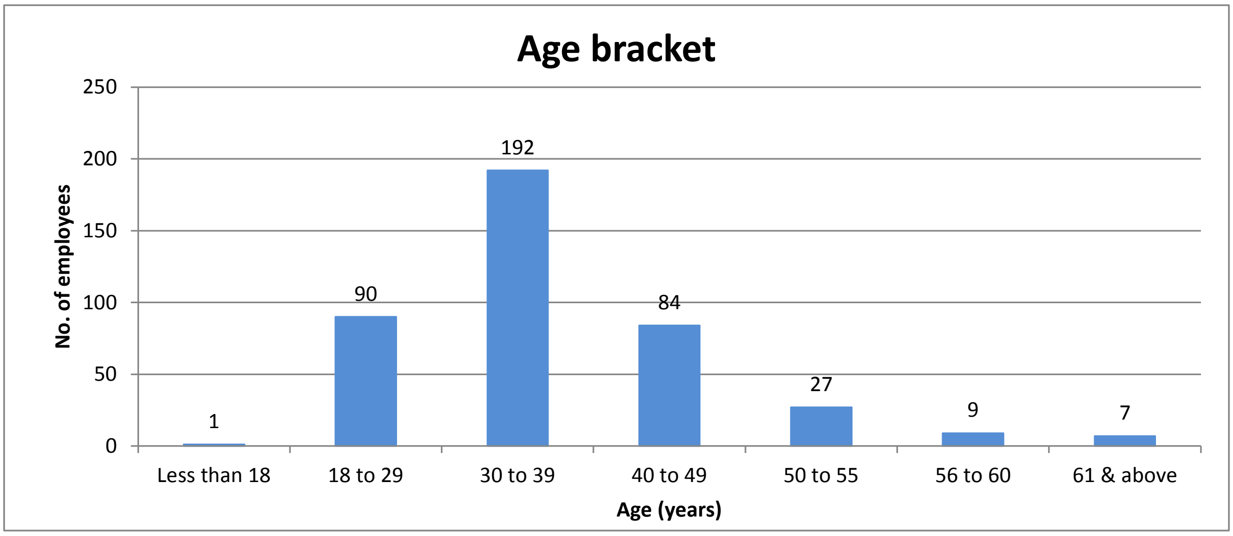
6 Membership Status

The defined benefit obligation for the period ending 31-12-2017 is based on the member data provided by the Company. The summary statistics for the data as follows:

6.1 Summary of Membership Status

Particulars	As on	
	31-Dec-16	31-Dec-17
Number of employees	440	410
Total monthly salary (SAR)	1,472,985	1,591,181
Average past service (years)	4.26	5.18
Average age (years)	35.48	36.44
Average remaining working life (years)	24.64	23.69
Number of completed years valued	1,872	2,122
Decrement adjusted remaining working life (years)	3.35	3.65

6.2 Age Analysis (as at 31-12-2017)



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7 Amount, Timing and Uncertainity of Future Cash Flows

7.1 Sensitivity Analysis

refer para 145 of IAS 19

Significant actuarial assumptions for the detemination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of sensitivity analysis is given below:

Particulars	31-Dec-16	31-Dec-17
Defined Benefit Obligation (Base)	3,606,517	4,599,640

Particulars	31-Dec-16		31-Dec-17	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	3,747,884	3,475,171	4,805,990	4,409,414
(% change compared to base due to sensitivity)	*3.9%*	*-3.6%*	*4.5%*	*-4.1%*
Salary Growth Rate (- / + 1%)	3,470,720	3,750,054	4,403,183	4,808,955
(% change compared to base due to sensitivity)	*-3.8%*	*4.0%*	*-4.3%*	*4.6%*
Attrition Rate (- / + 50% of attrition rates)	3,811,972	3,429,966	4,847,928	4,352,772
(% change compared to base due to sensitivity)	*5.7%*	*-4.9%*	*5.4%*	*-5.4%*
Mortality Rate (- / + 10% of mortality rates)	3,606,209	3,606,826	4,599,271	4,600,007
(% change compared to base due to sensitivity)	*0.0%*	*0.0%*	*0.0%*	*0.0%*

Please note that the sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There is no change in the method of valuation for the prior period. For change in assumptions please refer to section 5 above, where assumptions for prior period, if applicable, are given.

7.2 Asset Liability Matching Strategies

refer para 146 of IAS 19

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all End of Service Benefit outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

7.3 Effect of Plan on Entity's Future Cash Flows *refer para 147 of IAS 19*

a) Funding arrangements and Funding Policy *refer para 147(a) of IAS19*

The Company has purchased an insurance policy to provide for payment of End of Service Benefit to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company.

b) Expected Contribution during the next annual reporting period *refer para 147(b) of IAS19*

The Company's best estimate of Contribution during the next year	2,607,802

c) Maturity Profile of Defined Benefit Obligation *refer para 147(c) of IAS19*

Weighted average duration (based on discounted cashflows)	4 years

Expected cash flows over the next (valued on undiscounted basis):	Saudi Riyal (SAR)
1 year	1,028,860
2 to 5 years	2,480,962
6 to 10 years	1,279,322
More than 10 years	481,626

8 Glossary

8.1 Balance Sheet related terms

Present Value of Defined Benefit Obligation: It is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Fair Value of Plan Assets: The assets out of which the obligations have to be settled, measured at their market value.

Asset Ceiling: It is the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

Net Defined Benefit Liability/(Asset): It is the deficit/(surplus), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling, where the deficit/(surplus) is the present value of obligation less the fair value of plan assets.

Current Liability (Short term): The liability estimated on an undiscounted basis which is expected to be paid out within twelve months of the current valuation date.

Non Current Libility (Long term): The liability which is not expected to be paid out within twelve months of the current valuation date.

8.2 Income Statement related terms

Current Service Cost: It is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Past Service Cost: It is the change in the present value of obligation for employee service in the prior periods, resulting from a plan amendment or a curtailment in the current period.

Net Interest Income/(Cost): It is the change during the period in the net defined benefit liability/(asset) that arises from the passage of time.

Actuarial Gain/Loss: It comprises of the following components:
i) **Change in Actuarial Assumptions:** The effect of change in the defined benefit due to change in actuarial assumptions like mortality rate, atrition rate, discount rate, salary escalation rate, etc.
ii) **Experience Variance:** The effect of differences between the previous actuarial assumptions and what has actually occurred.

Return on Plan Assets: It is the interest, dividends and other than tax included in the actuarial assumptions used to measure the present value of defined benefit obligation.

Curtailment Cost: It is the cost that arises due to an event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits of some or all of their future services.

Settlement Cost: It is the cost that arises due to an event where an enterprise enters into a transaction that eliminates all further obligations for part or all of the benefits provided under a defined benefit plan.

8.3 Method and Assumptions related terms

Discount Rate: Discount rate is the rate which is used to discount future benefit cashflows to determine the present value of the defined benefit obligation at the valuation date. The rate is based on the prevailing market yields of high quality corporate bonds at the valuation date for the expected term of the obligation. In countries where there is no such bonds, the market yields at the valuation date on government bonds for the expected term is used.

Salary Escalation Rate: The rate at which salaries are expected to escalate in future. It is used to determine the benefit based on salary at the date of separation.

Attrition Rate: The reduction in staff/employees of a company through normal means, such as retirement and resignation. This is natural in any business and industry.

Mortality Rate: Mortality rate is a measure of the number of deaths (in general, or due to a specific cause) in a population, scaled to the size of that population, per unit of time.

Projected Unit credit Method: The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The Projected Unit Credit Method requires an enterprise to attribute benefit to the current period (in order to determine current service cost) and the current and prior periods (in order to determine the present value of defined benefit obligations).

9 Frequently Asked Questions

9.1 How should the discount rate be determined?

As per para 83 of International Accounting Standard 19 (Employee Benefits) requires that "the rate used to discount post-employement benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

It can be verified by visiting websites publishing economic data/indicators such as:
http://markets.businessinsider.com/bonds

9.2 How to determine the salary growth rate?

Salary growth rate can be typically seen as comprising of three components:

1) **Inflation Component**: The most basic component of salary growth rate is the 'cost-of-living' increase given by the entity to the employees. Typically, this component is, over a long term, closely linked to the Consumer Price Inflation (CPI) Index.

   Also, since inflation is a common theoretical component of both long-term salary and long-term interest rates, salary growth rate is expected to be closely linked to the discount rate used in valuation. In other words, it can be argued that an increase in discount rate should result in a consistent increase in the inflation component of the Salary Growth Rate.

2) **Productivity Component**: The productivity component of the salary growth rate represents labour's share of company-based (or group-based) productivity gains (or economies of scale). This component is typically higher in case of companies / industries that are new and experiencing high growth whilst lower in case of companies / industries that have achieved scale and growth is stable.

3) **Merit Component**: The merit component denotes the individual-based productivity gains achieved by the employee over his working career. This component typically manifests itself in the increase in salaries given on promotions but can also be given to employees in terms of higher than average increase in salaries (without promotions).

Common practice in determining salary growth rate assumption is to choose expected long-term rate rather than currently observed rates. However, discrepancy between the assumption and current trends must be observed and where such a discrepancy is expected to persist for some time, the Company may use a non uniform projection year based assumption (for e.g. 10% p.a. in next 3 years and 8% p.a. thereafter).

9.3 What does significant actuarial gain / loss on liability represent?

Significant actuarial gain / loss in movement of present value of obligation represents either or both:

1) **Significant change in assumptions**: This can be a change in **financial** (e.g. discount rate or salary growth rate) or **demographic** (e.g. attrition) assumptions used in closing valuation vis-a-vis opening valuation. For example, a decrease in discount rate or an increase in salary growth rate results increase in the liability, giving rise to actuarial loss.

2) **Experience variance**: This represents that actual experience during the period was different from the assumptions used in the previous actuarial valuation. For example, if the assumed salary growth rate was 5% p.a. whereas the salary growth rate actually given to employees during the period was 10%, a significant experience loss would arise. **A persistent and significant experience variance represents that the assumptions used in valuations are not in line with actual experience**. A persistent and significant experience loss may be a cause of concern and indicate need for strengthening of assumptions.

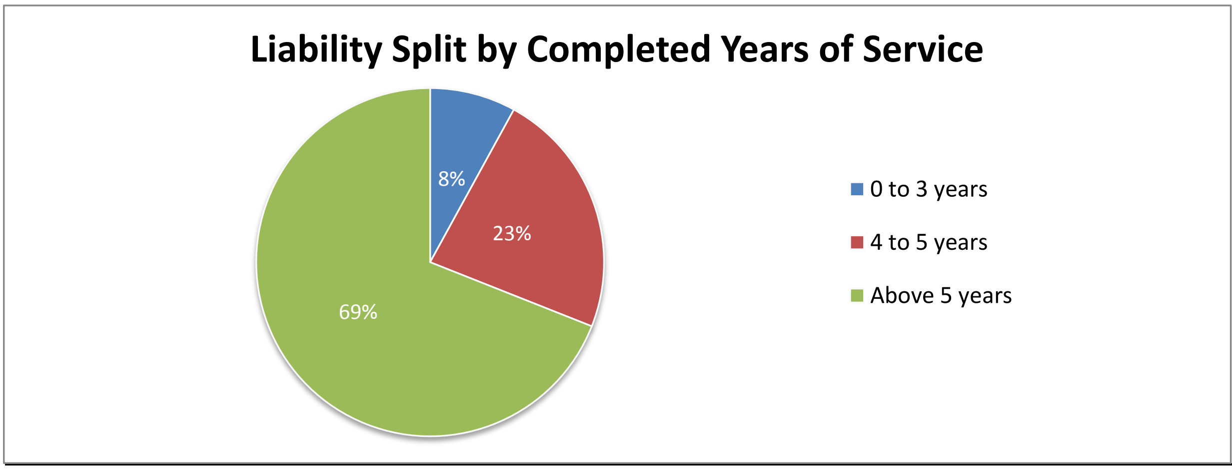
10 Additional Information Sheet

10.1 Windup Liability / Discontinuance Liability

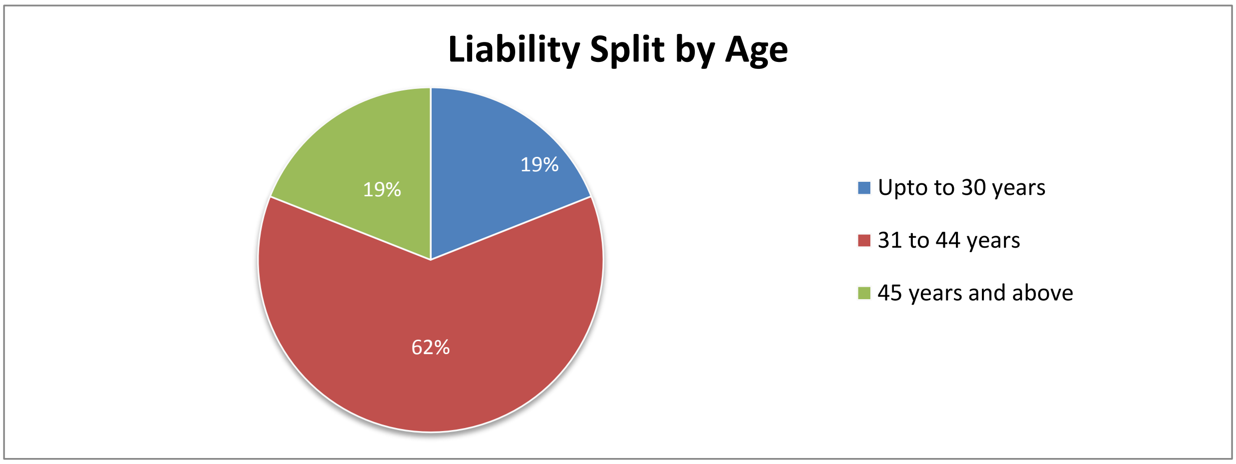
Particulars	31-Dec-16	31-Dec-17
Discontinuance Liability *	2,556,215	3,287,765
Present Value of Obligation	3,606,517	4,599,640
Ratio (Present Value of Obligation / Discontinuance Liability)	141%	140%

* **Discontinuance liability** is the amount that would be payable to the employees if all the obligations were to be settled immediately. It has been calculated ignoring the vesting criteria.

10.2 Liability Split by Completed Years of Service



10.3 Liability Split by Age



11 Disclosure Requirements As Per International Accounting Standard 19

Following discloures are required as per IAS 19 for the Defined Benefit Plan -

S.No	Reference	Title	Item in IAS 19 Report
1	Para 135(a)	Characteristics of Defined Benefit Plan and Risks Associated with it	3
2	Para 135(b)	Explanation of Amounts in Financial Statements	4
3	Para 135(c)	Amount, Timing and Uncertainity of Future Cash Flows	7
4	Para 139(a)(i)	The Nature of Benefits provided by the Plan	3.2
5	Para 139(a)(ii)	Description of Regulatory Framework in which Plan operates	3.3
6	Para 139(a)(iii)	Description of Entity's Responsibilities for Governance	3.4
7	Para 139(b)	Description of Risk Exposures	3.5
8	Para 139(c)	Effect of any Amendments, Curtailments and Settlements	3.6
9	Para 140(a)(i)	Reconciliation of the Fair Value of Plan Assets	4.3
10	Para 140(a)(ii)	Reconciliation of the Present Value of Obligation	4.1
11	Para 140(a)(iii)	Reconciliation of the Effect of Asset Ceiling	4.4
12	Para 141	Components required in the reconciliations table mentioned in para 140	4.1, 4.3 and 4.4
13	Para 142	Percentages or Amount that each major category constitutes of the Fair Value of Total Plan Assets	4.7
14	Para 143	Fair Value of the Entity's own transferable Financial Instruments held as Plan Assets	-
15	Para 144	Principal Actuarial Assumptions used to determine the Present Value of the Defined Benefit Obligation	5.1 and 5.2
16	Para 145	Sensitivity Analysis stating Methods for each Actuarial Assumptions and its comparison with previous year	7.1
17	Para 146	Description of any Asset-Liability Matching Strategies	7.2
18	Para 147(a)	Description of Funding arrangements and Funding Policy	7.3(a)
19	Para 147(b)	Expected Contribution during the next annual reporting period	7.3(b)
20	Para 147(c)	Maturity Profile of Defined Benefit Obligation	7.3(c)

12 Movement Analysis

12.1 Movement in Membership Status

Particulars	31-Dec-16	31-Dec-17	% Change
Number of employees	440	410	-6.7%
Number of new employees	61	16	-73.8%
Total monthly salary	1,472,985	1,591,181	8.0%
Total monthly salary for new employees	161,612	44,435	-72.5%
Average monthly salary	3,352	3,881	15.8%
Number of completed years valued	1,872	2,122	13.3%
Average PVO per Completed Year of Service	1,926	2,153	11.7%

12.2 Movement in Present Value of Obligation

Particulars	31-Dec-16	% of Opening PVO	31-Dec-17	% of Opening PVO
Present Value of Obligation as at the beginning	**-**	**-**	**3,606,517**	**100.0%**
Current Service Cost	588,669	-	760,004	21.1%
Interest Expense or Cost	-	-	108,120	3.0%
Re-measurement (or Actuarial) (gain) / loss arising from:				
- change in demographic assumptions	-	-	46,648	1.3%
- change in financial assumptions	-	-	18,585	0.5%
- experience variance (i.e. Actual experience vs assumptions)	-	-	230,808	6.4%
- others	-	-	-	-
Past Service Cost	3,017,848	-	-	-
Effect of change in foreign exchange rates	-	-	-	-
Benefits Paid	-	-	(171,042)	-4.7%
Acquisition Adjustment	-	-	-	-
Effect of business combinations or disposals	-	-	-	-
Present Value of Obligation as at the end	**3,606,517**	**-**	**4,599,640**	**127.5%**