# INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**Aravon Services Private Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Aravon Services Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with theIndian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and otheraccounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS



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**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.

2) As required by Section 143 (3) of the Act, we report that;

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

   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, in our opinion and to the best of our information and according to the explanations given to us;

      i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements – *(Refer Note 29.1 to the financial statements).*

      ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

      iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership Number : 205703
Bengaluru
Date 15 May 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Aravon Services Private Limited of even date)

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

b. The company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified annually. In our opinion, the periodicity is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification during the year;

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. Physical verification of inventory has been conducted by the company during the year. The discrepancies noticed on such verification between the physical stock and the book records were not material and these have been properly dealt with in the books of account;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including Provident Fund, Employee State Insurance, Income-tax, Goods and Service Tax, cess and other statutory dues, during the year with the appropriate authorities. As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable, except the following:

| Name of the Statute | Nature of the Dues | Amount (INR) | Period to which amount relates |
|---|---|---|---|
| The Maharashtra State Tax on Profession, Trades, Callings and Employments Act, 1975 | Professional Tax | 80,404 | 2007-08 |
| | Professional Tax | 1,02,315 | 2008-09 |
| | Professional Tax | 8,170 | 2010-11 |
| | Professional Tax | 14,573 | 2011-12 |
| | Professional Tax | 47,867 | 2016-17 |
| **Total** | | **2,53,329** | |

b. According to the information and explanations given to us, there are no dues of Provident Fund, Employee State Insurance, Income-tax, Goods and Service tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute except as follows:

| Name of the Statute | Nature of the Dues | Amount (INR) | FY to which amount relates | Forum where the dispute is pending |
|---|---|---|---|---|
| Income Tax Act, 1961 | Income Tax | 62,88,410 | 2008-09 | Income Tax Appellate Tribunal |
| Income Tax Act, 1961 | Penalty | 55,70,336 | 2008-09 | Commissioner of Income Tax (Appeals) |
| Maharashtra Value Added Tax, 2002 | Penalty | 4,30,778 | 2011-12 | Deputy Commissioner of State Tax (Appeals - V) |
| Finance Act, 1994 | Service Tax | 15,40,16,345 | 2007-16 | Customs, Excise and Service Tax Appellate Tribunal, Mumbai |

viii. According to the information and explanations given to us, the company has not defaulted in repayment of loan/borrowings from financial institutions or banks, government or debenture holder during the year. Consequently, comment on clause (viii) of the Order is not applicable;

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act, is not applicable. Consequently, comment on clause (xi) of the order is not applicable

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable Indian accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable;

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703
Bengaluru
Date : 15 May 2019

**ANNEXURE B - to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Aravon Services Private Limited of even date)

**Report on the Internal Financial Controls 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 **Aravon Services Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone 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 authorizations of management and directors of the Company; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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**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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703

Bengaluru
Date 15 May 2019

# Aravon Services Private Limited

## Balance Sheet

*as at 31 March 2019*

(Amount in Rs.)

| Particulars | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 3,666,836 | 8,538,596 |
| Intangible assets | 4 | - | 299,091 |
| Financial assets | | | |
| (i) Non-current - Loans | 5 | 756,700 | 717,050 |
| (ii) Other non-current financial assets | 6 | 2,911,216 | - |
| Deferred tax assets | 7 | 69,979,797 | 96,329,606 |
| Income tax assets | 7 | 44,061,402 | 35,255,443 |
| **Total non-current assets** | | **121,375,951** | **141,139,786** |
| **Current assets** | | | |
| Inventories | 8 | 3,022,207 | 4,216,730 |
| Financial assets | | | |
| -Trade and other receivables | 9 | 119,737,722 | 196,758,029 |
| -Cash and cash equivalents | 10 | 106,600,989 | 66,761,313 |
| -Bank balances other than cash and cash equivalents above | 11 | 3,421,855 | 1,617,909 |
| -Unbilled Revenue | 12 | 34,034,768 | 20,802,385 |
| -Other current financial assets | 13 | 443,120 | 1,125,944 |
| Other current assets | 14 | 12,516,389 | 2,414,973 |
| **Total current assets** | | **279,777,050** | **293,697,283** |
| **Total assets** | | **401,153,001** | **434,837,069** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | 394,115,570 | 394,115,570 |
| Other equity | 16 | (145,673,457) | (146,230,741) |
| | | **248,442,113** | **247,884,829** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provisions | 17 | 63,761,406 | 61,435,323 |
| **Total non-current liabilities** | | **63,761,406** | **61,435,323** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| -Borrowings | | - | - |
| -Trade payables | 18 | 12,828,741 | 6,431,474 |
| -Other current financial liabilities | 19 | 53,249,890 | 72,729,292 |
| Other current liabilities | 20 | 20,149,436 | 42,488,419 |
| Current Provisions | 21 | 2,721,415 | 3,867,732 |
| **Total current liabilities** | | **88,949,482** | **125,516,917** |
| **Total liabilities** | | **152,710,888** | **186,952,240** |
| **Total equity and liabilities** | | **401,153,001** | **434,837,069** |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For **Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

Place: Bangalore
Date: 15 May 2019

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**For and on behalf of Board of Directors of Aravon Services Private Limited**

**Ranjit Nair**
*Director and Chief Financial Officer*
DIN: 07086634

**Subrata Nag**
*Director*
DIN : 02234000

**Nupur Singh**
*Company Secretary*
Membership No.: A36306

Place: Bangalore
Date: 15 May 2019

## Aravon Services Private Limited

### Statement of Profit and Loss
*for the year ended 31 March 2019*

(Amount in Rs.)

| Particulars | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 22 | 595,622,838 | 735,674,056 |
| Other income | 23 | 607,597 | 1,308,405 |
| **Total Income** | | **596,230,435** | **736,982,461** |
| **Expenses** | | | |
| Cost of material and stores and spare parts consumed | 24 | 100,690,030 | 98,575,693 |
| Employee benefits expense | 25 | 387,884,972 | 507,556,948 |
| Finance costs | 26 | 885,649 | 352,399 |
| Depreciation and amortization expense | 27 | 5,157,105 | 6,566,924 |
| Other expenses | 28 | 68,754,115 | 46,902,537 |
| **Total expenses** | | **563,371,871** | **659,954,500** |
| **Profit/(loss) before tax** | | 32,858,564 | 77,027,961 |
| **Tax credit/(expense)** | 6 | | |
| Current tax | | (8,400,000) | (14,980,000) |
| Deferred tax | | (25,771,612) | 75,816,182 |
| **Income tax expense** | | **(34,171,612)** | **60,836,182** |
| **Profit/(loss) for the year** | | **(1,313,048)** | **137,864,143** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement losses on defined benefit plans | | 2,098,532 | (1,412,429) |
| Income tax relating to items that will not be reclassified to profit and loss | | (578,198) | - |
| **Other comprehensive income for the year (net of tax)** | | **1,520,334** | **(1,412,429)** |
| **Total comprehensive income for the year (net of tax)** | | **207,286** | **136,451,714** |
| **Earnings per equity share (face value of Rs. 10 each)** | 29.6 | | |
| Basic (Rs.) | | (0.03) | 3.50 |
| Diluted (Rs.) | | (0.03) | 3.50 |

The notes referred to above form an integral part of the financial statements
As per our report of even date attached.

For **Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No: : 004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Place: Bangalore
Date: 15 May 2019

**For and on behalf of Board of Directors of Aravon Services Private Limited**

**Ranjit Nair**
*Director and Chief Financial Officer*
DIN: 07086634

**Subrata Nag**
*Director*
DIN : 02234000

**Nupur Singh**
*Company Secretary*
Membership No: A36306

Place: Bangalore
Date: 15 May 2019

Aravon Services Private Limited

## Statement of Changes in Equity

*for the year ended 31 March 2019*

(Amount in Rs)

| Particulars | Share Capital | Other Equity | | | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|---|---|
| | | Reserves and Surplus | | | Other Comprehensive Income | |
| | | Securities Premium | Retained Earnings | Other reserves | Items of Other comprehensive Income | |
| **Balance as of 1 April 2017** | **394,115,570** | **331,791,080** | **(615,523,535)** | **700,000** | - | **111,083,115** |
| Add: Increase in Share Capital | - | - | - | - | - | - |
| Add: Loss for the year | - | - | 137,864,143 | - | | 137,864,143 |
| Add: Other comprehensive income for the year | | | | | | |
| Remeasurement loss on defined benefit plan (net of tax) | - | - | (1,412,429) | - | - | (1,412,429) |
| Add: Fair value of financial guarantee received | - | - | - | 350,000 | - | 350,000 |
| **Balance as of 31 March 2018** | **394,115,570** | **331,791,080** | **(479,071,821)** | **1,050,000** | - | **247,884,829** |
| **Balance as of 1 April 2018** | **394,115,570** | **331,791,080** | **(479,071,821)** | **1,050,000** | - | **247,884,829** |
| Add: Increase in Share Capital | - | - | - | - | - | - |
| Add: Profit for the year | - | - | (1,313,048) | - | - | (1,313,048) |
| Add: Other comprehensive income for the year | | | | | | |
| Remeasurement loss on defined benefit plan (net of tax) | - | - | 1.520.334 | - | - | 1.520.334 |
| Add: Fair value of financial guarantee received | - | - | - | 350,000 | - | 350,000 |
| **Balance as at 31 March 2019** | **394,115,570** | **331,791,080** | **(478,864,535)** | **1,400,000** | - | **248,442,115** |

As per our report of even date attached.

For **Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

VASAN & SAMPATH LLP • BANGALORE INDIA • CHARTERED ACCOUNTANTS

Place: Bangalore
Date: 15 May 2019

For and on behalf of Board of Directors of
**Aravon Services Private Limited**

**Ranjit Nair**
*Director and Chief Financial Officer*
DIN: 07086634

**Subrata Nag**
*Director*
DIN : 02234000

**Nupur Singh**
*Company Secretary*
Membership No.: A36306

Place: Bangalore
Date: 15 May 2019

Aravon Services Private Limited

## Statement of Cash Flow

*for the year ended 31 March 2019*

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit/(loss) before tax | 32,858,564 | 77,027,961 |
| **Adjustments for:** | | |
| Depreciation and amortization expense | 5,157,105 | 6,566,924 |
| (Profit) on sale of property, plant and equipment, net | (398,715) | (53,871) |
| Liabilities no longer required written back | (33,940) | (197,742) |
| Allowance for credit loss | 7,880,024 | 866,807 |
| Allowance for bad and doubtful deposits | - | - |
| Interest income on term deposits | (174,942) | (87,846) |
| Finance costs | 885,649 | 352,399 |
| **Operating cash flows before working capital changes** | **46,173,745** | **84,474,631** |
| Decrease in inventories | 1,194,523 | 855,173 |
| (Increase)/ decrease in trade receivables | 69,140,283 | (86,443,114) |
| Increase in other non current loans | (39,650) | 3,150,584 |
| Increase in other financial assets | (2,199,531) | 599,323 |
| (Increase) / Decrease in other assets | (9,984,750) | (5,507) |
| (Increase) / Decrease in unbilled Revenue | (13,232,383) | 7,986,244 |
| Increase / (Decrease) in trade payables | 6,431,207 | (5,596,056) |
| (Decrease) / Increase in other financial liabilities | (19,372,958) | 8,174,827 |
| (Decrease) / Increase in other current liabilities | (22,338,983) | 26,040,353 |
| Increase in non-current and current provisions | 3,278,298 | 1,261,439 |
| **Cash generated from /(used in) operations** | **59,049,800** | **40,497,898** |
| Income taxes paid, net of refund | (17,205,959) | (334,520) |
| **Net cash generated from/ (used in) operating activities (A)** | **41,843,841** | **40,163,378** |
| **Cash flows from investing activities** | | |
| Expenditure on property, plant and equipment and intangibles, net of sale proceeds | 306,016 | (9,531,845) |
| Bank deposits (having original maturity of more than three months) | (1,803,946) | (589,132) |
| Interest income on term deposits | 146,080 | 103,555 |
| **Net cash used in investing activities (B)** | **(1,351,850)** | **(10,017,422)** |
| **Cash flows from financing activities** | | |
| (Repayment of )/proceeds from borrowings | - | - |
| Interest paid | (652,315) | (119,065) |
| **Net cash (used in) / generated from financing activities (C)** | **(652,315)** | **(119,065)** |
| Net (decrease)/ increase in cash and cash equivalents (A+B+C) | 39,839,676 | 30,026,890 |
| Cash and cash equivalents at the beginning of the year | 66,761,313 | 36,734,423 |
| **Cash and cash equivalents at the end of the year (refer note 10)** | **106,600,989** | **66,761,313** |

As per our report of even date attached.

For **Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

Place: Bangalore
Date: 15 May 2019

**For and on behalf of Board of Directors of Aravon Services Private Limited**

**Ranjit Nair**
*Director and Chief Financial Officer*
DIN: 07086634

Place: Bangalore
Date: 15 May 2019

**Subrata Nag**
*Director*
DIN : 02234000

**Nupur Singh**
*Company Secretary*
Membership No.: A36306

**Notes to the financial statements**
*for the year ended 31 March 2019*

## 1. Company overview

Aravon Services Private Limited (formerly known ARAMARK India Private Limited) ('Aravon' or 'the Company') domiciled in India was incorporated on 19 July 2007 under the provisions of Companies Act 1956, applicable in India. The Company became wholly owned subsidiary of Quess Corp Limited ("Holding Company") w.e.f. 1 April 2015 pursuant to a share purchase agreement dated 12 February 2015 entered into between the Company, its erstwhile shareholders (Aramark Senior Notes Co. and Aramark India Holdings LLC.) and Quess Corp Limited. The Company is engaged in rendering integrated food and facility management services to• corporate customers in India, predominantly in the areas of housekeeping services and guest house management services. The registered office of the Company is situated at Quess House, 3/3/2, Bellandur Gate, Sarjapur Road, Bengaluru - 560103, Karnataka, India.

## 2.1 Significant accounting policies

### 2.1.1 Basis of preparation

Ministry of Corporate Affairs notified roadmap to implement Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016. As per the said roadmap, the Company is required to apply Ind AS with effect from financial year beginning on or after 1 April 2016. Accordingly, the financial statements of the Company have been prepared in accordance with Ind AS and the provisions of the Companies Act, 2013 ('Act').

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Company's standalone Ind AS financial statements are approved for issue by the Company's Board of Directors on 15th May 2019 .

### 2.1.2 Basis of measurement

The standalone financial statements have been prepared on a historical cost convention and on an accrual basis, except for certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments) and net defined benefit (asset)/ liability carried at fair value of plan assets less present value of defined benefit obligations.

### 2.1.3 Use of estimates and judgment

The preparation of the standalone financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the standalone financial statements is included in the following notes:

i) *Contingent liability:* Contingent liabilities are not recognized in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

ii) *Income taxes:* Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

iii) *Deferred ta* x*:* Availability of future taxable profit against which tax losses carried forward can be used.

iv) *Employee benefits*: Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for benefits are determined as follows:

a) Discount and inflation rates reflect the rates at which benefits could be effectively settled, taking into account the duration of the obligation. Indications used in selecting the discount rate include rates of annuity contracts and rates of return on high quality fixed-income investments (such as government bonds). The inflation rates reflect market conditions observed country by country;

b) The future salary levels of the individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority and promotion; and

c) Demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for the individual employees involved, based principally on available actuarial data.

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## 2.1 Significant accounting policies *(Continued)*

### 2.1.3 Use of estimates and judgment *(Continued)*

v) *Other estimates:* The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required. Details information about estimates used in property, plant and equipment and intangible assets are included in the accounting policies.

### 2.1.4 Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and
Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
-Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
-Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
-Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 2.1.5 Current - non current classification

All assets and liabilities are classified into current and non-current.

Assets
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realized within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Current assets include the current portion of non-current financial assets.
All other assets are classified as non-current.

Liabilities
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current liabilities include current portion of non-current financial liabilities.
All other liabilities are classified as non-current.
Operating cycle
Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The Company has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

### 2.1.6 Foreign currency transactions and balances

The financial statements are presented in Indian Rupees ('Rs.'), which is also the Company's functional currency.
Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are recognized in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Transaction in foreign currencies including revenue, expense and cash-flow items are translated into the relevant functional currency using the exchange rate in effect on the date of the transaction.

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## 2.1 Significant accounting policies *(Continued)*

### 2.1.6.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

### 2.1.6.2 Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL) •

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i)A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
-the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
-the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii)A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding

(iii) On initial recognition of an equity investment that is not held for trading, the company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.

(iv) All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets: Subsequent measurement and gains and losses**

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit and loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Any gain or loss on derecognition is recognised in the statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss. |

### 2.1.6.3 Derecognition of financial assets and liabilities

A financial asset is derecognized only when
- The Company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

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## 2.1 Significant accounting policies (Continued)

### 2.1.6.4 Impairment of financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables is measured based on the lifetime expected credit losses using the practical expedient as permitted under Ind AS 109. The expected credit loss allowance is computed based on the provision matrix which takes into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the days the receivable are due and the rates calculated in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

### 2.1.6.5 Financial liabilities

Classification, subsequent measurement and gains and losses
Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss. Other financial liabilities subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit and loss. Any gain or loss is also recognized in the statement of profit and loss.

### 2.1.7 Property, plant and equipment

**a Tangible assets**

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management. The Company depreciates property, plant and equipment on the straight line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased/sold during the period is proportionately charged. Based on the technical evaluation and consequent advice, the management believes that its estimates of useful lives as given below best represent the period over which management expects to use these assets. The useful lives are as below: -

| Category | Management estimate of useful life | Useful life as Schedule II |
|---|---|---|
| Plant and machinery | 3 years | 8-20 years |
| Computer equipment | 3 years | 3 -6 years |
| Furniture and fixtures | 5 years | 10 years |
| Office equipment | 5 years | 5 years |
| Vehicles | 3 years | 6-10 years |
| Leasehold improvements | As per lease term | Not defined |

Leasehold improvements are amortized over the lower of useful life of the assets and lease term of the leasehold premises on a straight-line

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end. Depreciation is generally recognised in the statement of profit and loss.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in progress'.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**b Intangible assets**

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets and amortized on a straight line basis over its useful life, not exceeding three years, as determined by management.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in statement of profit and loss as incurred

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## 2.1 Significant accounting policies (Continued)

### 2.1.7 Property, plant and equipment (Continued)

**c Impairment of non-financial assets**

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.
If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Impairment losses are recognized in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to other comprehensive income (OCI). For such properties, the impairment is recognized in OCI up to the amount of any previous
For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### 2.1.8 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**(a) Defined benefit plans**

The Company's gratuity benefit scheme is a defined benefit plan. For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in other comprehensive income for the period in which they occur. Past service cost both vested and unvested is recognized as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognizes related restructuring costs or termination benefits.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

Further, the profit or loss does not include an expected return on plan assets. Instead net interest recognized in statement of profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income.Net interest expense and other expenses related to the defined benefit plan are recognised in the statement of profit and loss.

Remeasurements comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

### 2.1.9 Employee benefit

**(b) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**(c) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. Compensated absences are measured using the Projected unit credit method with actuarial valuation being carried out at each balance sheet date.

## 2.1 Significant accounting policies (Continued)

**2.1.9 Employee benefit (Continued)**

**(d) Short term employee benefits**

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus, compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**(e) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**2.1.10 Provisions**

Provisions are recognized when the Company has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.
A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**Onerous contract**

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

**2.1.11 Revenue**

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expect to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognised as the services are performed as per the terms of the arrangement with the customer.

Refer Note 29.14 for disclosure related to revenue from contracts with customers.

**Policy in case of Unbilled revenue and unearned revenue**

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues

**Policy in case of Contract modifications**

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price

**Policy in case of cost of obtaining a contract**

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

**Policy in case of Principal vs agent**

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent

**2.1.12 Other income**

"Other income mostly comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive

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**2.1.13 Inventories**

Inventories which comprise of food, operating supplies and cleaning consumables are valued at the lower of cost and net realizable value. Cost is determined on the basis of first in first out (FIFO) method and includes all costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

**2.1.14 Cost recognition**

Costs and expenses are recognized when incurred and have been classified according to their primary nature.
The costs of the Company are broadly categorized in cost of materials, employee benefit expenses, depreciation and amortization and other operating expenses. Employee benefit expenses include employee compensation, allowances paid, contribution to various funds and staff welfare expenses. Other operating expenses majorly include sub-contractor charges, rent, travelling and conveyance, legal and professional fees, maintenance, insurance expenses and communication expenses.

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## 2.1 Significant accounting policies (Continued)

### 2.1.15 Finance costs

Interest expense consist of interest expense on loans and borrowings. Borrowing costs are recognized in the statement of profit and loss using the effective interest method.

### 2.1.16 Income tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets -unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is accompanied with deferred tax assets (net) in the balance sheet.

### 2.1.18 Equity

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments recognized by the Company are recognized at the proceeds received net off direct issue cost.

### 2.1.19 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**Amendment to Ind AS 7:**
Effective 1 April 2017, the Company adopted the amendment to Ind AS 7 which requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

### 2.1.20 Earnings per share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company (after adjusting for interest on the convertible preference shares) by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.
The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

### 2.1.21 Segment Reporting

Based on the "management approach" as defined in Ind AS 108, Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along these business segments viz. Food Services, Housekeeping & Manpower services.

### 2.1.22 Recent accounting pronouncements

On 30th March 2019 the Ministry of Corporate Affairs (MCA) notified Ind AS 116 and amendments to existing standards ) which are effective for annual period beginning after 1st April, 2019. The Company intends to adopt these standards or amendments from the effective date.

**Standard issued but not yet effective**
**Ind AS 116 – Leases**

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Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options to be considered.

**Amendments to existing Ind AS:**
The following amended standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

1.Amendment to Ind AS 12 Income Taxes
2.Amendment to Ind AS 19 Employee Benefits
3.Amendment to Ind AS 23 Borrowing Costs
4.Amendment to Ind AS 109 Financial Instruments

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## Notes to the financial statements *(Continued)*

*as at 31 March 2019*

(Amount in Rs.)

### 3 Property, plant and equipment

| Particulars | Leasehold | Furniture and fixtures | Vehicles | Office equipment | Plant and machinery | Computer equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost / Deemed cost (gross carrying value)** | | | | | | | |
| As at 1 April 2017 | - | 2,41,437 | 13,26,533 | 15,47,240 | 193,66,584 | 43,54,925 | 268,36,719 |
| Additions | - | 32,725 | - | 1,38,875 | 84,78,728 | 12,844 | 86,63,172 |
| Disposals | - | 42,314 | 3,82,634 | - | 20,41,174 | 5,13,759 | 29,79,881 |
| **As at 31 March 2018** | - | 2,31,848 | 9,43,899 | 16,86,115 | 258,04,138 | 38,54,010 | 325,20,010 |
| Additions | | | | | 51,942 | | 51,942 |
| Disposals | | 86,688 | | 5,950 | 137,47,831 | | 138,40,469 |
| **As at 31 March 2019** | - | 1,45,160 | 9,43,899 | 16,80,165 | 121,08,249 | 38,54,010 | 187,31,483 |
| **Accumulated depreciation** | | | | | | | |
| As at 1 April 2017 | - | 1,23,919 | 8,24,946 | 7,17,197 | 159,74,692 | 33,63,937 | 210,04,691 |
| Charge for the year | - | 70,506 | 2,93,368 | 3,74,468 | 45,56,184 | 6,61,984 | 59,56,510 |
| Disposals | - | 42,314 | 3,82,593 | - | 20,41,139 | 5,13,741 | 29,79,787 |
| **As at 31 March 2018** | - | 1,52,111 | 7,35,721 | 10,91,665 | 184,89,737 | 35,12,180 | 239,81,414 |
| Charge for the year | | 38,819 | 2,08,172 | 3,16,517 | 39,71,569 | 3,22,937 | 48,58,014 |
| Disposals | | 62,610 | - | 4,870 | 137,07,301 | - | 137,74,781 |
| **As at 31 March 2019** | - | 1,28,320 | 9,43,893 | 14,03,312 | 87,54,005 | 38,35,117 | 150,64,647 |
| **Net Block** | | | | | | | |
| **As at 31 March 2019** | - | 16,840 | 6 | 2,76,853 | 33,54,244 | 18,893 | 36,66,836 |
| **As at 31 March 2018** | - | 79,737 | 2,08,178 | 5,94,450 | 73,14,401 | 3,41,830 | 85,38,596 |

Note:

All fixed assets except leasehold improvements are subject to first charge to secure the cash credit facility availed from bank. Also refer Note no. 29.12.

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## Notes to the financial statements *(Continued)*

*as at 31 March 2019*

(Amount in Rs.)

### 4 Intangible assets

| Particulars | Computer software | Total |
|---|---|---|
| **Cost / Deemed cost (gross carrying value)** | | |
| As at 1 April 2017 | 32,82,883 | 32,82,883 |
| Additions | - | - |
| Disposals | - | - |
| **As at 31 March 2018** | **32,82,883** | **32,82,883** |
| Additions | - | - |
| Disposals | - | - |
| **As at 31 March 2019** | **32,82,883** | **32,82,883** |
| **Accumulated depreciation** | | |
| As at 1 April 2017 | 23,73,378 | 23,73,378 |
| Charge for the year | 6,10,414 | 6,10,414 |
| Disposals | - | - |
| **As at 31 March 2018** | **29,83,792** | **29,83,792** |
| Charge for the year | 2,99,091 | 2,99,091 |
| Disposals | - | - |
| **As at 31 March 2019** | **32,82,883** | **32,82,883** |
| **Net Block** | | |
| **As at 31 March 2019** | - | - |
| **As at 31 March 2018** | **2,99,091** | **2,99,091** |

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## Notes to the financial statements *(Continued)*
*as at 31 March 2019*

**5 Non-current - Loans**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good, unless otherwise stated ) | | |
| Security deposits | | |
| Considered good | 7,56,700 | 7,17,050 |
| Doubtful | - | 1,29,000 |
| Less: Allowance for bad and doubtful deposits | - | (1,29,000) |
| Interest accrued but not due | - | - |
| | **7,56,700** | **7,17,050** |

**6 Other non-current financial assets**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Bank deposit (due to mature after 12 months from the reporting date) # | 29,11,216 | - |
| | **29,11,216** | - |

# Fixed deposit under lien for the guarantees issued by the bank to government authorities and customers includes Term deposit for Margin Moı

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## Notes to the financial statements *(Continued)*

**7 Taxes**

**A Amount recognised in profit or loss**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Current tax:*** | | |
| In respect of the current period | 84,00,000 | 149,80,000 |
| Excess provision related to prior years (refer note (i) below) | - | - |
| ***Deferred tax:*** | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | (341,71,612) | 608,36,182 |
| Increase/ reduction of tax rate | (84,00,000) | (149,80,000) |
| **Income tax expense reported in the Statement of Profit and Loss** | **(341,71,612)** | **608,36,182** |

**B Income tax recognised in other comprehensive income**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | 20,98,532.00 | - |
| Tax (expense)/ benefit | (5,78,198) | - |
| **Net of tax** | **15,20,334.00** | - |

**C Reconciliation of effective tax rate**

*(Amount in Rs)*

| Particulars | For the year ended | | | |
|---|---|---|---|---|
| | 31 March 2019 | | 31 March 2018 | |
| | Rate | Amount | Rate | Amount |
| Profit before tax | | 328,58,564 | | 770,27,961 |
| Tax using the Company's domestic tax rate | 20.59% | 67,64,593 | 33.06% | 254,65,444 |
| **Effect of:** | | | | |
| Tax exempt income | 0.00% | - | 0.00% | - |
| Non-deductible expenses | 0.00% | - | - | - |
| Unrecognised tax losses | 4.98% | 16,35,407 | -13.61% | (104,85,444) |
| Deferred tax credit | 78.43% | 257,71,612 | -230.73% | (758,16,182) |
| **Effective tax rate** | **104.00%** | **341,71,612** | **-211.29%** | **(608,36,182)** |
| Less: Excess provision related to prior years | - | - | 0.00% | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **104.00%** | **341,71,612** | **-78.98%** | **(608,36,182)** |

**D The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019, 31 March 2018**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 524,61,402 | 502,35,443 |
| Income tax liabilities | (84,00,000) | (149,80,000) |
| **Net income tax assets at the end of the year** | **440,61,402** | **352,55,443** |

**E Deferred tax assets, net**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax assets:** | | |
| Impairment loss allowance on financial assets | - | - |
| Provision on employee benefits- Gratuity | 28,90,942 | 26,84,272 |
| Provision on employee benefits- Compensated absences | 7,64,797 | 13,12,549 |
| Provision on other employee benefits, if any | - | - |
| Provision for bonus | 64,85,263 | 94,63,743 |
| Provision for disputed claims | 146,61,940 | 175,94,328 |
| Provision for interest on service tax | - | - |
| Provision for rent escalation | - | - |
| Present valuation of financial instruments | - | - |
| Provision for doubtful receivables/deposits | 114,25,811 | 123,70,682 |
| Losses available for offsetting against future taxable income | 58,71,390 | 171,71,526 |
| Deffered tax on fixed assets | 124,06,997 | 165,14,208 |
| Minimum alternate tax credit entitlement | 149,80,000 | 149,80,000 |
| Deferred Tax others | 10,70,855 | 42,38,298 |
| Deferred Tax on OCI | (5,78,198) | - |
| **Deferred tax assets** | **699,79,797** | **963,29,606** |

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## Notes to the financial statements *(Continued)*

**F Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Rs)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision on employee benefits- Gratuity | 26,84,272 | - | 2,06,670 | (5,78,198) | 23,12,744 |
| Provision on employee benefits- Compensated absence | 13,12,549 | - | (5,47,752) | - | 7,64,797 |
| Provision on other employee benefits, if any | | | | | - |
| Provision for bonus | 94,63,743 | | (29,78,480) | | 64,85,263 |
| Provision for disputed claims | 175,94,328 | - | (29,32,388) | - | 146,61,940 |
| Provision for interest on service tax | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Provision for doubtful receivables/deposits | 123,70,682 | | (9,44,871) | | 114,25,811 |
| Losses available for offsetting against future taxable in | 171,71,526 | | (113,00,136) | | 58,71,390 |
| Fixed assets | 165,14,208 | - | (41,07,211) | - | 124,06,997 |
| MAT credit entitlement | 149,80,000 | - | - | - | 149,80,000 |
| Others | 42,38,299 | - | (31,67,444) | - | 10,70,855 |
| | **963,29,607** | - | **(257,71,612)** | **(5,78,198)** | **699,79,797** |
| **Deferred tax assets/(liabilities)** | **963,29,607** | - | **(257,71,612)** | **(5,78,198)** | **699,79,797** |

*(Amount in Rs)*

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision on employee benefits- Gratuity | 2,22,937 | - | 24,61,335 | - | 26,84,272 |
| Provision on employee benefits- Compensated absence | 14,33,219 | - | (1,20,670) | - | 13,12,549 |
| Provision on other employee benefits, if any | - | | | | - |
| Provision for bonus | 33,74,042 | | 60,89,701 | | 94,63,743 |
| Provision for disputed claims | - | - | 175,94,328 | - | 175,94,328 |
| Provision for interest on service tax | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Provision for doubtful receivables/deposits | - | | 123,70,682 | | 123,70,682 |
| Losses available for offsetting against future taxable in | 118,56,605 | | 53,14,921 | | 171,71,526 |
| Fixed assets | - | - | 165,14,208 | - | 165,14,208 |
| MAT credit entitlement | - | - | 149,80,000 | - | 149,80,000 |
| Others | 36,26,622 | - | 6,11,677 | - | 42,38,299 |
| | **205,13,425** | - | **758,16,182** | - | **963,29,607** |
| **Net deferred tax assets** | **205,13,425** | - | **758,16,182** | - | **963,29,607** |

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## Notes to the financial statements *(Continued)*
*as at 31 March 2019*

### 8 Inventories

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *(Valued at lower of cost and net realizable value)* | | |
| Consumables | 30,22,207 | 42,16,730 |
| | **30,22,207** | **42,16,730** |

### 9 Trade receivables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good | 1197,37,722 | 1967,58,029 |
| Considered Doubtful | 414,69,234 | 335,89,210 |
| | **1612,06,956** | **2303,47,239** |
| Less: Loss Allowance for credit loss (refer note 29.12) | (414,69,234) | (335,89,210) |
| | **1197,37,722** | **1967,58,029** |

The Company's exposure to credit risk and loss allowances related to trade receivables are disclosed in Note 29.12.

### 10 Cash and cash equivalents

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Balances with banks** | | |
| In current accounts | 132,59,695 | 91,86,087 |
| In Other * | 924,59,239 | 565,15,238 |
| Cash in hand | 8,82,055 | 10,59,989 |
| | **1066,00,989** | **667,61,313** |

* Represents CC account in YES bank.

### 11 Bank balances other than cash and cash equivalents

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In deposit accounts (mature within 12 months from the reporting date) # | 34,21,855 | 16,17,909 |
| | **34,21,855** | **16,17,909** |

# Fixed deposit under lien for the guarantees issued by the bank to government authorities and customers includes Term deposit for Margin Moı

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**Notes to the financial statements *(Continued)***
*as at 31 March 2019*

## 12 Unbilled Revenue

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue | 340,34,768 | 208,02,385 |
| Less: Loss Allowance | - | - |
| | **340,34,768** | **208,02,385** |

## 13 Other current financial assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest accrued but not due | 34,920 | 6,058.27 |
| Security deposits | | |
| Considered good | 4,08,200 | 11,19,885 |
| Doubtful | - | 36,97,274 |
| Less: Allowance for bad and doubtful deposits | - | (36,97,274) |
| | **4,43,120** | **11,25,944** |

## 14 Other current assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| ***Advances other than capital advances*** | | |
| Advances to suppliers | - | 2,47,097 |
| Advances to employees | 1,08,132 | 5,93,409 |
| (Unsecured and considered good, unless otherwise stated ) | | |
| Prepaid expenses | 8,57,031 | 15,74,467 |
| Balances with government authorities | 115,51,226 | - |
| | **125,16,389** | **24,14,973** |

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## 15 Share capital

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorized** | | |
| 45,000,000 (As at 31 March 2017: 45,000,000) equity shares of Rs. 10 each | 4500,00,000 | 4500,00,000 |
| | **4500,00,000** | **4500,00,000** |
| **Issued, subscribed and fully paid-up** | | |
| 39,411,557 (As at 31 March 2017: 39,411,557) equity shares of Rs. 10 each | 3941,15,570 | 3941,15,570 |
| | **3941,15,570** | **3941,15,570** |

### 15.1 Reconciliation of the shares outstanding at the beginning and at the end of the year

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs. | Number of shares | Amount in Rs. |
| **Equity shares** | | | | |
| At the beginning of the year | 394,11,557 | 3941,15,570 | 394,11,557 | 3941,15,570 |
| Issued during the year | - | - | - | - |
| Outstanding at the end of the year | **394,11,557** | **3941,15,570** | **394,11,557** | **3941,15,570** |

### 15.2 Shares held by the holding company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs. | Number of shares | Amount in Rs. |
| Equity shares of Rs. 10 each fully paid up | | | | |
| Quess Corp Limited, the holding company | 394,11,547 | 3941,15,470 | 394,11,547 | 3941,15,470 |
| | **394,11,547** | **3941,15,470** | **394,11,547** | **3941,15,470** |

### 15.3 Details of shareholder holding more than 5% share of aggregate shares in the Company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % holding in class | Number of shares | % holding in class |
| Equity shares of Rs 10 each fully paid up | | | | |
| Quess Corp Limited | **394,11,547** | **99.99%** | 394,11,547 | 99.99% |

### 15.4 Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of Rs.10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of preferential amounts if any, in proportion to the number of equity shares held.

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## Notes to the financial statements *(Continued)*

*as at 31 March 2019*

### 16 Other equity

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Retained earnings | (4788,64,537) | (4790,71,821) |
| **Other reserves** | | |
| Securities premium reserve | 3317,91,080 | 3317,91,080 |
| Other reserves | 14,00,000 | 10,50,000 |
| | **(1456,73,457)** | **(1462,30,741)** |
| **Securities premium account** | | |
| At the beginning of the year | 3317,91,080 | 3317,91,080 |
| Add: Premium received on issue of equity shares | - | - |
| At the end of the year | **3317,91,080** | **3317,91,080** |
| **Retained earnings** | | |
| At the beginning of the year | (4790,71,821) | (6155,23,535) |
| Profit / (Loss) for the year | (13,13,048) | 1378,64,143 |
| Other comprehensive income for the year arising from remeasurement of defined benefit obligation | 15,20,334 | (14,12,429) |
| At the end of the year | **(4788,64,535)** | **(4790,71,821)** |
| **Other reserves** | | |
| At the beginning of the year | 10,50,000 | 7,00,000 |
| Add: Financial guarantee issued by the holding company | 3,50,000 | 3,50,000 |
| At the end of the year | **14,00,000** | **10,50,000** |
| | **(1456,73,455)** | **(1462,30,741)** |

### 16 Other equity *(Continued)*

**Nature and purpose of other reserves**

**Securities premium reserve**

Securities premium reserve is used to record the premium on issue of shares. It is utilized in accordance with the provisions of the Companies Act, 2013.

**Other reserves**

Reserve represents financial guarantee contract provided by the parent company over borrowings of the Company measured at fair value with a corresponding increase in the other equity.

**Other Comprehensive Income**

Remeasurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest

### 17 Non-current provisions

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for compensated absences | 54,366 | 1,02,111 |
| Provision for gratuity | 104,92,485 | 81,18,657 |
| | **105,46,851** | **82,20,768** |
| **Others** | | |
| Provision for disputed claims (refer note 29.1 and 29.5)* | 532,14,555 | 532,14,555 |
| | **532,14,555** | **532,14,555** |
| | **637,61,406** | **614,35,323** |

* The provision for disputed claims has not been discounted to the present value as it is not practicable for the Company to estimate the timings of cash outflow.

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**Notes to the financial statements *(Continued)***
*as at 31 March 2019*

## 18 Trade payables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Payable to related parties | - | - |
| Total outstanding dues of micro enterprises and small enterprises | - | - |
| Other trade payables | 128,28,741 | 64,31,474 |
| | **128,28,741** | **64,31,474** |

The Company's exposure to currency and liquidity risk related to trade payables is disclosed in Note No. 29.12

## 19 Other current financial liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Capital creditors | - | 1,06,445 |
| ***Other Payables*** | | |
| Accrued salaries and benefits | 282,57,114 | 413,39,743 |
| Provision for Bonus and Incentive | 249,74,276 | 312,64,604 |
| Uniform deposits | 18,500 | 18,500 |
| | **532,49,890** | **727,29,292** |

## 20 Other current liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Provision for Expenses | 102,13,051 | 230,61,591 |
| Balances payable to government authorities | 99,36,385 | 194,26,827 |
| | **201,49,436** | **424,88,419** |

## 21 Current provisions

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for compensated absences | 27,21,415 | 38,67,732 |
| | **27,21,415** | **38,67,732** |

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## Notes to the financial statements *(Continued)*

*for the year ended 31 March 2019*

(Amount in Rs.)

### 22 Revenue from operations

| Particulars | For the year ended 31 March 19 | For the year ended 31 March 18 |
|---|---|---|
| **Sale of services** | | |
| Food Services | 1043,66,135 | 1317,35,006 |
| Housekeeping and manpower services | 4912,56,703 | 6039,39,050 |
| | **5956,22,838** | **7356,74,056** |

### 23 Other income

| Particulars | For the year ended 31 March 19 | For the year ended 31 March 18 |
|---|---|---|
| Interest received on financial assets- carried at amortized cost | | |
| - Interest on bank deposits | 1,74,942 | 87,846 |
| - Income tax refund | - | 9,66,131 |
| Profit on sale of property, plant and equipment and intangible assets | 3,98,715 | 53,871 |
| Liabilities no longer required written back | 33,940 | 1,97,742 |
| Miscellaneous income | - | 2,815 |
| | **6,07,597** | **13,08,405** |

### 24 Cost of material and stores and spare parts consumed

| Particulars | For the year ended 31 March 19 | For the year ended 31 March 18 |
|---|---|---|
| Inventory at the beginning of the year | 42,16,730 | 50,71,903 |
| Add: Purchases during the year | 994,95,507 | 977,20,520 |
| Less: Inventory at the end of the year | 30,22,207 | 42,16,730 |
| Cost of materials consumed | **1006,90,030** | **985,75,693** |
| **Break-up of cost of materials consumed** | | |
| Food services | 828,14,223 | 740,60,210 |
| Housekeeping and manpower services | 114,87,987 | 176,66,258 |
| Rebillables and others | 63,87,820 | 68,49,225 |
| | **1006,90,030** | **985,75,693** |
| **Details of inventory** | | |
| **Consumables** | | |
| Food Services | 23,59,472 | 25,26,272 |
| Housekeeping and manpower services | 6,62,735 | 16,90,458 |
| | **30,22,207** | **42,16,730** |

### 25 Employee benefits expense

| Particulars | For the year ended 31 March 19 | For the year ended 31 March 18 |
|---|---|---|
| Salaries and wages | 3410,51,993 | 4412,47,894 |
| Contribution to provident and other funds | 304,36,757 | 442,62,853 |
| Expenses related to post-employment defined benefit plan | 44,72,360 | 55,25,001 |
| Compensated absences | 80,62,903 | 109,21,151 |
| Staff welfare expenses | 38,60,959 | 56,00,049 |
| | **3878,84,972** | **5075,56,948** |

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## Notes to the financial statements *(Continued)*
*for the year ended 31 March 2019*

(Amount in Rs.)

### 26 Finance costs

| Particulars | For the year ended 31 March 19 | For the year ended 31 March 18 |
|---|---|---|
| Interest expense | 8,85,649 | 3,52,399 |
| | **8,85,649** | **3,52,399** |

### 27 Depreciation and amortization expense

| Particulars | For the year ended 31 March 19 | For the year ended 31 March 18 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 48,58,014 | 59,56,510 |
| Amortisation of intangible assets (refer note 4) | 2,99,091 | 6,10,414 |
| | **51,57,105** | **65,66,924** |

### 28 Other expenses

| Particulars | For the year ended 31 March 19 | For the year ended 31 March 18 |
|---|---|---|
| Power and fuel | 2,79,819 | 4,03,237 |
| Outsourced Manpower expenses | 44,200 | 9,48,060 |
| Laundry expenses | 1,55,212 | 1,54,074 |
| Travelling and conveyance | 56,82,100 | 89,05,148 |
| Rent | 52,20,172 | 130,18,437 |
| Auditors' remuneration | 6,85,740 | 6,67,252 |
| Communication expenses | 8,65,456 | 15,77,352 |
| Printing and stationery | 6,27,887 | 8,59,037 |
| Legal and professional fees | 338,62,859 | 57,54,414 |
| Repairs and maintenance | | |
| - Customer equipment maintenance charges | 8,93,938 | 28,00,748 |
| - Others | 15,18,769 | 18,55,122 |
| Water and electricity charges | 2,05,683 | 6,79,943 |
| Brokerage expenses | 62,078 | 89,075 |
| Office expenses | 12,99,781 | 15,12,595 |
| Rates and taxes | 3,57,451 | 1,23,070 |
| Insurance | 23,89,997 | 41,12,028 |
| Bad debts written off | 30,79,929 | 5,54,611 |
| Allowance for credit loss | 78,80,024 | 8,66,807 |
| Recruitment cost | - | 11,249 |
| Expenditure on corporate social responsibility (refer note 29.15) | 5,60,750 | - |
| Miscellaneous expenses | 30,82,270 | 20,10,279 |
| | **687,54,115** | **469,02,537** |
| **Payment to auditors (net of Service Tax / GST)** | | |
| As auditor | | |
| Statutory audit | 5,00,000 | 5,00,000 |
| Tax audit | 1,67,252 | 1,67,252 |
| Reimbursement of expenses | 18,488 | - |
| | 6,85,740 | 6,67,252 |

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**Notes to the financial statements** ***(Continued)***
*for the year ended 31 March 2019*

(Amount in Rs)

## 29 Notes to accounts

### *29.1 Contingent liabilities*

**(a) Contingent liabilities**

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Notice of demand received under Section 156 of the Income-tax Act, 1961 pursuant to order passed under Section 144 of the Act for assessment year 2009-10, Income tax appellate tribunal upheld the best judgment assessment. The Company has filed a miscellaneous application for the rectification of order issued by the Income Tax Appellate Tribunal. | 62,88,410 | 62,88,410 |
| (The Company is contesting the demand and the Management, including its Tax Advisor, believes that the demand is likely to be cancelled by the Income Tax Appellate Tribunal on the basis of miscellaneous application and accordingly no provision has been made.) | | |
| Notice of demand received under Section 271 of the Income-tax Act, 1961 in respect of assessment year 2009-10, matter is pending with Commissioner of Income Tax (Appeals). | 55,70,336 | 55,70,336 |
| (The Company is contesting the demand and the Management, including its Tax Advisor, believes that the demand is likely to be cancelled and accordingly no provision has been made.) | | |
| Disputed Service Tax demand pending with the Commissioner of Goods & Service Tax. | | |
| - From October 2007 till March 2012 * | 924,33,563 | 972,34,488 |
| - From April 2012 till September 2013 * | - | - |
| * Of the aggregate amount of Rs.147,736,173 disclosed as contingent liability as at 1 April 2015, the Company has made a provision of Rs. 50,406,030 during the previous year, out of abundant caution and further based on the consideration that the grounds of appeal for the said period are subject to interpretation of law. A sum of Rs 95,655 demanded by the Service Tax Department for the services rendered to EOU's during the period October 2007 till March 2012 was paid by the Company subsequent to receiving the demand in October 2012 and the same was charged to the statement of profit and loss during the year ended 31 March 2013.The balance amount of Rs.97,234,488 has been disclosed as contingent liability as at 31 March 2016. The same represents the payment of Rs. 97,234,488 made during the period October 2007 till March 2012 towards service tax collected from customers duly paid by the Company to the service tax authorities, which has inadvertently not been considered by the service tax department. During the year FY 2018-19 the Commissioner of GST had waived off the demand w.r.t abatement of outdoor catering services. The contingent laibility decreased to that extent. | | |
| **Guarantees** | | |
| Outstanding Guarantees furnished to Banks and Financial Institutions including in respect of Letter of Credits | | |
| a) In respect of Joint Ventures | - | |
| b) In respect of Others | 53,93,623 | |

**(b) The provision for disputed claims of Rs. 53,214,555 made during the year ended 31 March 2018 comprises of:**

| | | |
|---|---|---|
| (i) | Provision for disputed service tax demands made out of abundant caution for the period: | **(Amount in Rs)** |
| | - October 2007 till March 2012 (refer Note 29.1(a) above) | 446,96,478 |
| | - April 2012 till September 2013 (refer Note 29.1(a) above) | 57,09,552 |
| | - October 2013 to March 2014 | 15,19,343 |
| (ii) | interest and penalty demanded on inadmissible availment of input credit reversed subsequently for the period October 2009 to March 2014 | 12,89,182 |
| | | **532,14,555** |

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(Amount in Rs)

## 29 Notes to accounts *(Continued)*

### *29.2 Employee benefits*

#### *(i) Defined contribution plans*

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employees' State Insurance, which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognized as an expense towards contribution to Provident fund for the year is Rs. 22,490,859 (31 March 2018: Rs. 33,028,442).

#### *(ii) Defined benefit plan*

*Gratuity Plan*
In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's defined portion of last salary and the years of employment with the Company. The Company contributes each year to a gratuity fund administered by Life Insurance Corporation of India. The amount recognized as a expense in the statement of profit and loss including other comprehensive income towards gratuity is Rs. 4,472,360 (31 March 2018: Rs. 5,525,001).

#### *(iii) Long term employment benefits*

*Compensated Absences*
Eligible employees can carry forward their leave balances as per the terms of employment and encash leave on superannuation, death or permanent disablement during employment and resignation. The amount recognized as an expense in the statement of profit and loss for the year towards compensated absences is Rs. 8,062,903 (31 March 2018: Rs. 10,921,151).

**Assumptions**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Discount rate | 6.60% | 6.90% |
| Salary growth | 12% for associates and 10% for core employees | 12% for associates and 10% for core employees |
| Attrition rate | 42% for associates and 25% for core employees | 42% for associates and 25% for core employees |
| Retirement age | 60 years | 60 years |

The following table sets out the funded status of the gratuity plan and the amounts recognized in the financial statements as at 31 March 2019 and 31 March 2018:

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| Obligation at the beginning of the year | 215,98,389 | 175,76,108 |
| Current service cost | 39,12,569 | 52,05,331 |
| Interest cost | 14,89,234 | 11,52,178 |
| Benefit paid | (64,59,868) | (29,95,972) |
| Re-measurement (gain) / loss | (26,78,725) | 6,60,744 |
| **Obligation at end of the year** | **178,61,599** | **215,98,389** |
| ***Change in plan assets*** | | |
| Plan assets at beginning of the year, at fair value | 134,79,732 | 126,99,668 |
| Interest income on plan assets | 9,29,443 | 8,32,509 |
| Re-measurement (gain) / loss | (5,80,193) | (7,51,685) |
| Employer's contributions | - | 36,95,212 |
| Benefit paid | (64,59,868) | (29,95,972) |
| **Plan assets at end of year, at fair value** | **73,69,114** | **134,79,732** |

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## Notes to the financial statements *(Continued)*
*for the year ended 31 March 2019*

(Amount in Rs)

### 29 Notes to accounts *(Continued)*

*29.2 Employee benefits (Continued)*

*(iv) Defined benefit plan (Continued)*

**Amount included in the balance sheet in respect of its defined benefit plan:**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Present value of the defined benefit obligations at the end of the year | 178,61,599 | 215,98,389 |
| Fair value of plan assets at the end of the year | (73,69,114) | (134,79,732) |
| Net liability recognized in the balance sheet (deficit) | **104,92,485** | **81,18,657** |
| Current | - | - |
| Non-current | **104,92,485** | **81,18,657** |

**Amount recognized in the statement of profit and loss in respect of defined benefit plan:** *(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 39,12,569 | 52,05,331 |
| Net interest expense | 5,59,791 | 3,19,669 |
| **Components of defined benefit plan recognized in the profit or loss** | **44,72,360** | **55,25,000** |
| Re-measurement (gain) / loss arising from: | | |
| -change in demographic assumptions | - | - |
| - change in financial assumptions | 1,57,909 | (2,21,387) |
| - experience variance (actual experience vs assumptions) | (28,36,634) | 8,82,131 |
| Return on plan assets, excluding amount recognized in net interest expense | 5,80,193 | 7,51,685 |
| **Components of defined benefit plan recognized in other comprehensive income** | **(20,98,532)** | **14,12,429** |
| **Total** | **23,73,828** | **69,37,429** |

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the statement of profit and loss. The remeasurement of the net defined liability is included in other comprehensive income.

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 173,45,523 | 184,07,116 | 209,71,160 | 222,61,616 |
| Attrition Rate(50% movement) | 146,88,552 | 247,22,637 | 177,26,805 | 301,28,489 |
| Mortality Rate(10% movement) | 178,62,047 | 178,61,153 | 215,99,391 | 215,97,388 |
| Salary growth(1% movement) | 183,76,668 | 173,64,301 | 222,26,351 | 209,92,374 |

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.

**Asset Liability Matching Strategies**

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 gratuity 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).

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## Notes to the financial statements *(Continued)*

*for the year ended 31 March 2019*

(Amount in Rs)

### 29 Notes to accounts *(Continued)*

***29.2 Employee benefits (Continued)***

***(iv) Defined benefit plan (Continued)***

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

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Funds managed by insurer | 100% | 100% |

**Assumptions**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest rate | 7.30% | 7.30% |
| Discount rate | 6.60% | 6.90% |
| Estimated rate of return on plan assets | 6.60% | 6.90% |
| Salary growth | 12% for associates and 10% for core employees | 12% for associates and 10% for core employees |
| Attrition rate | 42% for associates and 25% for core employees | 42% for associates and 25% for core employees |
| Retirement age | 60 years | 60 years |

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

***(v) Effect of Plan on Entity's Future Cash Flows***

The Company has purchased an insurance policy to provide for payment of gratuity 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 an a result of such valuation is funded by the Company.

**Expected Contribution during the next annual reporting period**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| The Company's best estimate of contribution during the next year | 141,69,356 | 130,57,755 |

**Maturity profile of defined benefit obligation**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Weighted average duration (based on discounted cash flows) | 3 years | 3 years |

**Expected cash flow over the next (valued on undiscounted basis)**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Within 1 year | 52,48,809 | 64,01,616 |
| 2-5 years | 128,75,536 | 155,93,917 |
| 6-10 years | 34,20,769 | 43,01,944 |
| More than 10 years | 5,91,522 | 7,94,283 |

***(vi) Description of Risk Exposures***

The Company is exposed to various risks in providing the above gratuity 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.

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## Notes to the financial statements *(Continued)*
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(Amount in Rs)

### 29 Notes to accounts *(Continued)*

***29.2 Employee benefits (Continued)***

***(vi) Description of Risk Exposures (Continued)***

**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 liability.

**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:** Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. Increase in the maximum limit on gratuity of Rs. 10,00,000).

**Asset Liability Mismatching or Market Risk:** The duration of the liability 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.

***29.3 Due to micro and small suppliers***

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006

***29.4 Operating lease obligations***

The Company is obligated under non-cancellable leases primarily for office premises which are renewable thereafter as per the term of the respective agreements. Rental payments under operating leases during the year aggregating Rs. 5,220,172 (31 March 2018: Rs. 13,018,437) has been charged to the statement of profit and loss

***29.5 Movement in provision***

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Opening Provision | 532,14,555 | 532,14,555 |
| Addition during the year | - | |
| **Balance at the end of the year** | **532,14,555** | **532,14,555** |

It is not practicable for the Company to estimate the timings of cash outflow, if any, in respect of above provision. (Also refer note 30.1.b)

***29.6 Computation of Earnings per share (EPS)***

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Net profit/ (loss) attributable to equity shareholders | (13,13,048) | 1378,64,143 |
| **Calculation of weighted average number of equity shares** | | |
| Number of equity shares at the beginning of the year | 394,11,557 | 394,11,557 |
| Equity shares issued during the year | - | - |
| Number of equity shares at the end of the year | 394,11,557 | 394,11,557 |
| Weighted average number of equity shares outstanding during the year | 394,11,557 | 394,11,557 |
| Basic and diluted earnings per share (Rs.) | (0.03) | 3.50 |

## Notes to the financial statements *(Continued)*
*for the year ended 31 March 2019*

(Amount in Rs)

### 29 Notes to accounts *(Continued)*

#### *29.7 Related party disclosures*

#### *I. Related party relationships*

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Subsidiaries, associates and joint venture | Refer Note (ii) |
| - Entity having common directors | Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 18 December 2018) |
| **Key executive management personnel** | |
| Ranjith Nair | Director and Chief Financial Officer |
| Subrata Nag | Director |

**(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture**

| Name of the entity | Nature of relation |
|---|---|
| Coachieve Solutions Private Limited | Subsidiary |
| MFX Infotech Private Limited | Subsidiary |
| Aravon Services Private Limited | Subsidiary |
| Brainhunter Systems Ltd. | Subsidiary |
| Mindwire Systems Limited | Subsidiary |
| Brainhunter Companies LLC, USA | Subsidiary |
| Quess (Philippines) Corp. | Subsidiary |
| Quess Corp (USA) Inc. | Subsidiary |
| Quesscorp Holdings Pte. Ltd. | Subsidiary |
| Quessglobal (Malaysia) Sdn. Bhd. | Subsidiary |
| Quess Corp Lanka (Private) Limited | Subsidiary |
| Comtel Solutions Pte. Ltd. | Subsidiary |
| Ikya Business Services (Private) Limited | Subsidiary |
| MFXchange Holdings, Inc. | Subsidiary |
| MFXchange US, Inc. | Subsidiary |
| MFXchange (Ireland) Limited | Subsidiary |
| Quess Corp Vietnam LLC | Subsidiary |
| MFX Chile SpA | Subsidiary |
| Dependo Logistics Solutions Private Limited | Subsidiary |
| CentreQ Business Services Private Limited | Subsidiary |
| Excelus Learning Solutions Private Limited | Subsidiary |
| Inticore VJP Advance Systems Private Limited | Subsidiary |
| Conneqt Business Solution Limited (formerly known as Tata Business Support Services | Subsidiary |
| Vedang Cellular Services Private Limited | Subsidiary |
| Master Staffing Solutions Private Limited | Subsidiary |
| Golden Star Facilities and Services Private Limited | Subsidiary |
| Comtelpro Pte. Limited. | Subsidiary |
| Comtelink Sdn. Bhd | Subsidiary |
| Monster.com (India) Private Limited | Subsidiary |
| Monster.com.SG PTE Limited | Subsidiary |
| Monster.com HK Limited | Subsidiary |
| Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia | Subsidiary |
| Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | Subsidiary |
| Greenpiece Landscapes India Private Limited | Subsidiary |
| Simpliance Technologies Private Limited | Subsidiary |
| Quesscorp Management Consultancies (formerly known as Styracorp Management | Subsidiary |
| Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower | Subsidiary |
| Trimax Smart Infraprojects Private Limited | Associate |
| Terrier Security Services (India) Private Limited | Associate |
| Heptagon Technologies Private Limited | Associate |
| Quess Recruit, Inc. | Associate |
| Quess East Bengal FC Private Limited | Associate |
| Agency Pekerjaan Quess Recruit Sdn. Bhd. | Associate |
| Himmer Industrial Services (M) Sdn. Bhd. | Joint venture |

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## Notes to the financial statements *(Continued)*

*for the year ended 31 March 2019*

(Amount in Rs)

### 29 Notes to accounts *(Continued)*

***II. Related party with whom transactions have taken place during the year***

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Holding Company** | | |
| **Professional Fees** | | |
| - Quess Corp Limited | 375,00,000 | - |
| **Reimbursement of expenses to** | | |
| - Quess Corp Limited | - | 4,08,294 |
| **Fair value of financial guarantee** | | |
| - Quess Corp Limited | 3,50,000 | 3,50,000 |
| **Finance cost on corporate guarantee** | | |
| - Quess Corp Limited | 3,50,000 | 2,61,780 |
| **Background verification expenses** | | |
| - Co Achieve Solutions Private Limited | - | 10,753 |
| - Terrier Security Services India Pvt. Ltd. | 16,448 | 21,240 |
| **Short term advance taken** | | |
| - Quess Corp Limited | - | - |
| **Short term advance repaid ( including interest net of TDS)** | | |
| - Quess Corp Limited | | - |
| Financial guarantee issued by Quess Corp Limited in favour of the Company to Yes Bank Ltd. for a sanctioned credit limit of Rs. 70,000,000 (31 March 2018: Rs 70,000,000). | | |

***Balance receivable from and payable to relate parties as at the reporting date***

| | | |
|---|---|---|
| **Guarantees Outstanding** | | |
| Quess Corp Limited | 700,00,000 | - |
| **Fair value of financial guarantee** | | |
| - Quess Corp Limited | 14,00,000 | 10,50,000 |
| **Fellow subsidiary with whom the Company has transactions** | | |
| - Terrier Security Services India Pvt. Ltd. | - | - |

### *29.7 Related party disclosures (Continued)*

***II. Related party with whom transactions have taken place during the year (Continued)***

**Terms and conditions of transactions with related parties**

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

### *29.8* Basis of recognition of Deferred tax asset for current financial year

The Company did not recognize deferred tax asset until the year ended 31 March 2016 due to absence of certainty of set off unabsorbed losses against taxable profits in the foreseeable future.

Company has turned profitable during the last 2 years and estimates that the it will have taxable profits to set off unabsorbed losses in future. During the current year, the Company has recognized deferred tax assets on unabsorbed losses to the extent that it is probable that taxable profit will be available against which unabsorbed losses can be utilized. Further, the Company has recognized deferred tax on deductible temporary differences to the extent it believes economic benefits in the form of reductions in tax payments will flow to the Company from taxable profits against which the deductions can be offset.

### *29.10 Segment reporting*

The Board of directors of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is in the business of rendering integrated facility management services predominantly in the areas of housekeeping services, food services and guest house management services which are covered under similar arrangements and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards.

**Other segment information**

**a)** **Revenue from major services**

| | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Food Services | 1043,66,135 | 1317,35,006 |
| Housekeeping and manpower services | 4912,56,703 | 6039,39,050 |
| | **5956,22,838** | **7356,74,056** |

**b)** **Geographical information**

All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable geographical information.

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Aravon Services Private Limited

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## Notes to the financial statements *(Continued)*

*for the year ended 31 March 2019*

*29.11* **Financial instruments-fair value and risk management**
**Accounting classification and fair values**

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

The following table shows the carrying amount and fair value of financial assets and financial liabilities, classified under

The carrying value and fair value of financial instruments by categories as at 31 March 2019, 31 March 2018 are as follows:

**As at 31 March 2019**

| Particulars | Carrying Amount | Fair value | | |
|---|---|---|---|---|
| | 1 March 2019 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Trade receivables | 1197,37,722 | - | - | - |
| Cash and cash equivalents | 1066,00,989 | - | - | - |
| -Bank balances other than cash a | 34,21,855 | - | - | - |
| Other financial assets | 41,11,036 | - | - | - |
| Unbilled revenue | 340,34,768 | - | - | - |
| **Total financial assets** | **2679,06,370** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 128,28,741 | - | - | - |
| Other liabilities | 532,49,890 | - | - | - |
| **Total financial liabilities** | **660,78,631** | - | - | - |

**As at 31 March 2018**

| Particulars | Carrying Amount | Fair value | | |
|---|---|---|---|---|
| | 1 March 2018 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Trade receivables | 1967,58,029 | - | - | - |
| Cash and cash equivalents | 667,61,313 | - | - | - |
| -Bank balances other than above | 16,17,909 | - | - | - |
| Other financial assets | 18,42,994 | - | - | - |
| Unbilled revenue | 208,02,385 | - | - | - |
| **Total financial assets** | **2877,82,629** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 64,31,474 | - | - | - |
| Other liabilities | 727,29,292 | - | - | - |
| **Total financial liabilities** | **791,60,767** | - | - | - |

**Fair value hierarchy**

Level 1: This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values

A **Financial Assets:**

Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

B **Financial Liabilities:**

1 **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

2 **Financial liability:** The fair value of financial liability has been determined by discounting consideration payable on commitment to sell. The probability of the estimate within the range can be reasonably assessed and are used in the management's estimates of fair value of this put option.

3 **Borrowings:** It includes cash credit and overdraft facilities, working capital loan and bill discounting facilities. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the loan is reset on a monthly/quarterly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

## 29 Notes to accounts *(Continued)*

### *29.12* Financial risk management

The Company has exposure to the following risks arising from financial instruments:
- Credit risk ;
- Liquidity risk ; and
- Market risk

**Risk Management framework**
The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

**Credit risk**
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade receivables***
The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base.
The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.
The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

***Expected credit loss assessment for corporate customers as at 31 March 2019 and 31 March 2018 are as follows:***
The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers.
Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 360 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

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**29 Notes to accounts *(Continued)***

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers:**

**As at 31 March 2019**

*(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 897,39,099 | 0.79% | 7,08,939 | No | 890,30,160 |
| Past due 1–90 days | 157,19,901 | 2.95% | 4,63,737 | No | 152,56,164 |
| Past due 91–180 days | 105,87,431 | 15.58% | 16,49,522 | No | 89,37,909 |
| Past due 181–270 days | 115,85,713 | 43.78% | 50,72,225 | No | 65,13,488 |
| Past due 271–360 days | 54,57,404 | 100.00% | 54,57,404 | Yes | - |
| Above 360 days | 281,17,407 | 100.00% | 281,17,407 | Yes | - |
| | **1612,06,955** | | **414,69,234** | | **1197,37,721** |

**As at 31 March 2018**

*(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 1503,19,520 | 0.70% | 10,58,857 | No | 1492,60,663 |
| Past due 1–90 days | 462,00,476 | 4.92% | 22,71,477 | No | 439,28,999 |
| Past due 91–180 days | 41,48,057 | 26.07% | 10,81,436 | No | 30,66,621 |
| Past due 181–270 days | 10,45,499 | 52.01% | 5,43,753 | No | 5,01,746 |
| Past due 271–360 days | 11,92,943 | 100.00% | 11,92,943 | Yes | - |
| Above 360 days | 274,40,744 | 100.00% | 274,40,744 | Yes | - |
| | **2303,47,239** | | **335,89,210** | | **1967,58,029** |

**Financial risk management *(Continued)***

**Movement in the expected credit loss allowance:**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 335,89,210 | 327,22,055 |
| Impairment loss allowance recognised/(reversed) | 78,80,024 | 8,67,155 |
| **Balance at the end of the year** | **414,69,234** | **335,89,210** |

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

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## 29 Notes to accounts *(Continued)*

The Company has taken cash credit and overdraft facilities having interest rate three month of MCLR+0.81%. These facilities are repayable on demand and are secured primarily by way of pari passu first charge on the current assets of the Company on both present and future and collateral by way of pari passu first charge on the movable assets of the Company (excluding charge on vehicles/equipments purchased /to be purchased under lease agreements/ hire purchase agreements) both present and future of the Company.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March, 2019, 31 March 2018: The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019**

*(Amount in Rs)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 year | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | - | - | - | - | - |
| Trade payables | **128,28,741** | 128,28,741 | - | - | - |
| Other financial liabilities | **532,49,890** | 532,49,890 | - | - | - |

**As at 31 March 2018**

*(Amount in Rs)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 year | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | - | - | - | - | - |
| Trade payables | **64,31,474** | 64,31,474 | - | - | - |
| Other financial liabilities | **727,29,292** | 727,29,292 | - | - | - |

**Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt.The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.. The Company is not exposed to significant market risk as the Company does not have long term debt or foreign currency transactions.

**Currency risk**

The Company is not exposed to significant currency risk as the revenue and expenses are primarily denominated in INR.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Even though the company has a cash credit facility, since during the current year, the facility was mostly not utlised, there is no significant exposure to this risk.

### *29.13* Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Company consists of short term borrowings and equity of the Company. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current borrowing, current maturities of long-term borrowings and current maturities of finance lease obligations less cash and cash equivalents.

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Gross debt | - | - |
| Less: Cash and cash equivalents | 1066,00,989 | 667,61,313 |
| **Adjusted net debt** | **(1066,00,989)** | **(667,61,313)** |
| Total equity | 2484,42,113 | 2478,84,829 |
| Less: Effective portion of cash flow hedges and cost of hedging | - | - |
| Total equity | **2484,42,113** | **2478,84,828.58** |
| **Net debt to equity ratio** | **(0.43)** | **(0.27)** |

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## 29 Notes to accounts *(Continued)*

### *29.14* Revenue from Contracts with customers

**(i) Disaggregation of revenue**

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in Rs.)*

| Particulars | Facility management | Total |
|---|---|---|
| **Revenues by Geography** | | |
| India | 5956,22,838 | **5956,22,838** |
| North America | | - |
| APAC and Middle East | | - |
| Rest of the World | | - |
| **Total** | **5956,22,838** | **5956,22,838** |

Revenue disaggregation as per segment and geography has been included in segment information (Refer note 29.10).

**(ii) Trade Receivables and Contract Balances**

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue. Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Standalone Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 1197,37,722 | 1967,58,029 |
| Contract assets (Unbilled revenue) | 340,34,768 | 208,02,385 |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 208,02,385 |
| Add : Revenue recognized during the period | 340,34,768 |
| Less : Invoiced during the period | (208,02,385) |
| Less : Impairment / (reversal) during the period | - |
| Add: Changes due to Business Combinations | - |
| Add : Translation gain/(Loss) | - |
| Balance at the end | 340,34,768 |

The following table discloses the movement in unearned revenue (contract liabilities) balances for the year ended 31 March 2019

*(Amount in INR lakhs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | - |
| Add : Reclassified from assets held for sale | - |
| Less: Revenue recognized during the period | - |
| Add: Changes due to Business Combinations | - |
| Add: Invoiced during the period but not recognized as revenues | - |
| Add: Translation loss / (gain) | - |
| Balance at the end | - |

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## 29 Notes to accounts *(Continued)*

### (iii) Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, Nil.

### (iv) Changes in accounting policies

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these standalone financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognizing the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The quantitative impact of the adoption of Ind AS 115 on the standalone financial statements in the period of initial application is not material.

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Aravon Services Private Limited

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## Notes to the financial statements *(Continued)*

*for the year ended 31 March 2019*

(Amount in Rs)

### 29 Notes to accounts *(Continued)*

***29.15*** **Details of CSR expenditure**

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on Corporate Social Responsibility ("CSR") activities. The areas for CSR activities are eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environment sustainability, disaster relief and rural development projects. A CSR committee has been formed by the company as per the Act. The funds required to be spent and funds spent during the year with respect to the Group are explained below

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| a) Gross amount required to be spent by the Company during the year | 560,750 | - |
| b) Amount spent during the year | | |
| i) Construction or acquisition of any asset | | |
| ii) On purpose other than i) above | -560,750 | - |
| **Balance at the end of the year** | - | - |

***29.16*** Previous year figures are reclassified/re-grouped whereever necessary.

***29.17*** The Board of Directors of the Company had at its Meeting held on 20th October, 2018, approved the Scheme of amalgamation ("Scheme") between Aravon Services Private Limited ("ASPL") ("Transferor Company") with Quess Corp Limited ("Transferee Company"). Upon the scheme becoming effective the Transferor Company stands dissolved, all the assets and liabilities of the transferor company will be recorded at their book values in the Transferee Company. On 27th March 2019 the Scheme has been filed with BSE and NSE. The Scheme of amalgamation shall be subject to receipt of necessary approvals of shareholders and creditors, SEBI, Stock Exchanges, Regional Director and other regulatory authorities as may be required.

For **Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No : 004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

Place: Bangalore
Date: 15 May 2019

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For and on behalf of Board of Directors of
**Aravon Services Private Limited**

**Ranjit Nair**
*Director and Chief Financial Officer*
DIN: 07086634

**Subrata Nag**
*Director*
DIN: 02234000

**Nupur Singh**
*Company Secretary*
Membership No: A36306

Place: Bangalore
Date: 15 May 2019

# INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**CentreQ Business Services Private Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **CentreQ Business Services Private Limited**("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report but does not include the Financial Statements and our Auditor's Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.

2) As required by Section 143 (3) of the Act, we report that;
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 Lossincluding Other Comprehensive Income, the Cash Flow Statement, and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standaloneAS financial statements comply with theIndian AccountingStandard specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B";and

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, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date:9 May 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of CentreQ Business Services Private Limited of even date)

i. The company does not have any Fixed Assets. Consequently, comment on clause (i) of the order is not applicable;

ii. The Company's operations does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a.According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities.As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable;

b. According to the information and explanations given to us, there are no dues ofincome-tax, goods and service tax, cess and other material statutory dueswhich have not been deposited with the appropriate authorities on account of any dispute;

viii. The company does not have any loans or borrowings from any financial institution, banks, government or debenture holder during the year. Consequently, comment on clause (viii) of the Order is not applicable;

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act, is not applicable. Consequently, comment on clause (xi) of the order is not applicable;

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone Financial statements as required by the applicable Indian Accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable;

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date:9 May 2019

**ANNEXURE B - to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of CentreQ Business Services Private Limited of even date)

**Report on the Internal Financial Controls 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 CentreQ Business Services Private Limited ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone 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



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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 authorizations of management and directors of the Company; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 9 May 2019

**CentreQ Business Services Private Limited**
**Balance Sheet**

*(Amount in Rs)*

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Income tax assets (net) | 3 | 349,354 | 379,569 |
| | | **349,354** | **379,569** |
| **Current Assets** | | | |
| **Financial assets** | | | |
| Trade receivables | 4 | 195,343 | 745,337 |
| Cash and cash equivalents | 5 | 308,205 | 2,756,611 |
| Unbilled revenue | 6 | 90,135 | 418,705 |
| Other current assets | 7 | 660,895 | 14,000 |
| | | **1,254,578** | **3,934,653** |
| **Total Assets** | | **1,603,932** | **4,314,222** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 8 | 100,000 | 100,000 |
| Other equity | 9 | 100,663 | 18,375 |
| **Total Equity** | | **200,663** | **118,375** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| Trade payables | 10 | 758,832 | - |
| Other current financial liabilities | 11 | 40,500 | - |
| Other current liabilities | 12 | 603,937 | 4,195,847 |
| | | **1,403,269** | **4,195,847** |
| **Total Equity and Liabilities** | | **1,603,932** | **4,314,222** |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**CentreQ Business Services Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 9 May 2019

**CentreQ Business Services Private Limited**
**Statement of profit and loss**

*(Amount in Rs)*

| | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 13 | 1,938,090 | 4,885,455 |
| Other income | 14 | 209,805 | - |
| **Total Income** | | **2,147,895** | **4,885,455** |
| **Expenses** | | | |
| Other expenses | 15 | 1,816,571 | 4,868,790 |
| **Total expenses** | | **1,816,571** | **4,868,790** |
| **Profit before tax** | | **331,324** | **16,665** |
| **Tax expense** | | | |
| Current tax | | (249,036) | (5,200) |
| **Profit for the year** | | **82,288** | **11,465** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains/ (losses) on defined benefit plans | | - | - |
| Deferred tax | | - | - |
| **Other comprehensive income for the year** | | - | - |
| **Total comprehensive income for the year** | | **82,288** | **11,465** |
| **Earnings per equity share (face value of Rs 10 each)** | 17 | | |
| Basic | | 8.23 | 1.15 |
| Diluted | | 8.23 | 1.15 |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**CentreQ Business Services Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 9 May 2019

**CentreQ Business Services Private Limited**
**Statement of Changes in Equity**

*(Amount in Rs)*

| Particulars | Share Capital | Other equity | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|
| | | Retained Earnings | General Reserve | |
| **Balance as of 01 April 2017** | **100,000** | 6,910 | - | 106,910 |
| Add: Profit for the year | - | 11,465 | - | 11,465 |
| **Balance as of 31 March 2018** | **100,000** | **18,375** | - | **118,375** |
| | | | | |
| **Balance as at 1 April 2018** | 100,000 | **18,375** | - | **118,375** |
| Add: Profit for the year | | **82,288** | | **82,288** |
| **Balance as at 31 March 2019** | **100,000** | **100,663** | - | **200,663** |

As per our report of even date attached
**for Vasan and Sampath LLP**
Chartered Accountants
Firm's Registration No: 004542S/S200070

VASAN & SAMPATH LLP · CHARTERED ACCOUNTANTS · BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

*for and on behalf of Board of Directors of*
**CentreQ Business Services Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN: 02234000

Place: Bengaluru
Date: 9 May 2019

**CentreQ Business Services Private Limited**
**Statement of Cash Flows**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 331,324 | 16,665 |
| **Adjustments for:** | | |
| Allowance for credit loss (refer note 24) | 626,507 | - |
| Liabilities no longer required written back | (209,805) | - |
| **Operating cash flows before working capital changes** | **748,026** | **16,665** |
| **Working capital adjustments:** | | |
| **Changes in:** | | |
| Trade receivables | (76,513) | (641,837) |
| Loans, other financial assets and other assets | (318,325) | (432,705) |
| Trade payables and other financial liabilities | 799,332 | - |
| Other liabilities and provisions | (3,382,105) | 4,102,347 |
| **Cash generated from operations** | **(2,229,585)** | **3,044,470** |
| Direct taxes paid, net of refund | (218,821) | (387,859) |
| **Net cash (used in) / provided by operating activities (A)** | **(2,448,406)** | **2,656,611** |
| | | |
| **Cash flows from investing activities** | | |
| Expenditure on property, plant and equipment and intangibles, net of sale proceeds | - | |
| **Net cash (used in) / provided by investing activities (B)** | - | - |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of equity shares, net of issue expenses | - | - |
| **Net cash (used in) / provided by financing activities (C)** | - | - |
| | | |
| Net increase in cash and cash equivalents (A+B+C) | (2,448,406) | 2,656,611 |
| Cash and cash equivalents at the beginning of the year | **2,756,611** | **100,000** |
| **Cash and cash equivalents at the end of the year (refer note 5)** | **308,205** | **2,756,611** |

As per our report of even date attached
**for Vasan and Sampath LLP**
Chartered Accountants
Firm's Registration No: 004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of Board of Directors of
**CentreQ Business Services Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN: 02234000

Place: Bengaluru
Date: 9 May 2019

**3 Income tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advance income tax | 349,354 | 379,569 |
| | **349,354** | **379,569** |

**4 Trade receivables**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good | 195,343 | 745,337 |
| Considered doubtful | 626,507 | - |
| Less: allowances for credit losses (refer note 24) | (626,507) | - |
| | **195,343** | **745,337** |

**5 Cash and cash equivalents**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Balances with banks | | |
| In current accounts | 308,205 | 2,756,611 |
| | **308,205** | **2,756,611** |

**6 Unbilled revenue**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue (refer note 18) | 90,135 | 418,705 |
| | **90,135** | **418,705** |

**7 Other current assets**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| **Others** | | |
| Other advances | - | 14,000 |
| Balances receivable from government authorities | 660,895 | - |
| | **660,895** | **14,000** |

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### 8 Equity share capital

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 10,000 (10,000) equity shares of par value of Rs 10 each | 100,000 | 100,000 |
| | **100,000** | **100,000** |
| **Issued, subscribed and paid-up** | | |
| 10,000 (10,000) equity shares of par value of Rs 10 each, fully paid up | 100,000 | 100,000 |
| | **100,000** | **100,000** |

### 8.1 Reconciliation of number of shares outstanding at the beginning and at the end of the year

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| At the commencement of the year | 10,000 | 100,000 | 10,000 | 100,000 |
| Shares issued during the year | - | - | - | - |
| At the end of the year | **10,000** | **100,000** | **10,000** | **100,000** |

### 8.2 Shares held by holding company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 9,999 | 99,990 | 9,999 | 99,990 |
| | **9,999** | **99,990** | **9,999** | **99,990** |

### 8.3 Details of shareholders holding more than 5% shares in the Company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % of Holding | Number of shares | % of Holding |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 9,999 | 99.99% | 9,999 | 99.99% |
| | **9,999** | | **9,999** | |

### 8.4 Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. On winding up of the Company, the holders of the equity shares will be entitled to receive the residual assets of the Company, after distribution of all preferential amounts (if any) in proportion to the number of equity shares held.

### 9 Other equity

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Other comprehensive income | - | - |
| Retained earnings | 100,663 | 18,375 |
| | - | |
| | **100,663** | **18,375** |

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CENTREQ BUSINESS SERVICES PVT. LTD.

## 10 Trade payables

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to micro, small and medium enterprises (refer note 19) | - | - |
| Dues to other than micro, small and medium enterprises | 758,832 | - |
| | **758,832** | **-** |

As on 31 March 2019 and 31 March 2018, there are no outstanding amounts due to micro and small enterprises. There are no interests due or outstanding on the same.

## 11 Other current financial liabilities

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Accrued expenses | 40,500 | - |
| | **40,500** | **-** |

## 12 Other current liabilities

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 4,500 | 489,202 |
| Accrued Liabilities | - | 3,482,840 |
| *Amount payable to related party* | | |
| Quess Corp Limited | 599,437 | 223,805 |
| | **603,937** | **4,195,847** |

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CENTREQ BUSINESS SERVICES PVT. LTD.

## 13 Revenue from operations

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Rendering of payroll related services | 1,938,090 | 4,885,455 |
| | **1,938,090** | **4,885,455** |

## 14 Other income

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Liabilities no longer required written back | 209,805 | - |
| | **209,805** | - |

## 15 Other expenses

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Legal and professional fees* | 1,178,496 | 4,848,698 |
| Allowance for credit loss (refer note 24) | 626,507 | - |
| Rates and taxes | 11,568 | 20,092 |
| | **1,816,571** | **4,868,790** |

***Payment to auditors (net of GST; included in legal and professional fees)**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 45,000 | 45,000 |
| | 45,000 | 45,000 |

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**16 Contingent liabilities and Commitments**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Contingent liabilities** | | |
| Claims against company not acknowledged as debts | - | - |
| | | |
| Commitments | | |
| Estimated amount of contracts remaining to be executed on capital contracts and not provided for (net of advances and deposits) | - | - |

**17 Earnings per share**

*(Amount in Rs except number of shares)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares | 100,000 | 100,000 |
| Net profit after tax for the purpose of earnings per share | 82,288 | 11,465 |
| Weighted average number of shares used in computing basic earnings per share | 10,000 | 10,000 |
| **Basic earnings per share** | **8.23** | **1.15** |
| Weighted average number of shares used in computing diluted earnings per share | 10,000 | 10,000 |
| **Diluted earnings per share** | **8.23** | **1.15** |

**Computation of weighted average number of shares**

*(Figures in numbers)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Number of equity shares outstanding at beginning of the year** | 10,000 | 10,000 |
| | | |
| Number of equity shares outstanding at beginning of the previous year | - | - |
| Add: Weighted average number of equity shares issued during the year | - | - |
| Weighted average number of shares outstanding at the end of year for computing basic earnings per share | 10,000 | 10,000 |
| Add: Impact of potentially dilutive equity shares | - | - |
| **Weighted average number of shares outstanding at the end of year for computing diluted earnings per share** | **10,000** | **10,000** |

**18 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Subsidiaries, associates and joint venture | Refer Note (ii) |
| - Entity having common directors | Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 18 December 2018) |

**Key executive management personnel**

| **Name** | **Designation** |
|---|---|
| Subrata Kumar Nag | Group CEO & Director |
| Ranjit Nair | Director |

**(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture**

| **Name of the entity** | **Nature of relationship** |
|---|---|
| Coachieve Solutions Private Limited | Subsidiary |
| MFX Infotech Private Limited | Subsidiary |
| Aravon Services Private Limited | Subsidiary |
| Brainhunter Systems Ltd. | Subsidiary |
| Mindwire Systems Limited | Subsidiary |
| Brainhunter Companies LLC, USA | Subsidiary |
| Quess (Philippines) Corp. | Subsidiary |
| Quess Corp (USA) Inc. | Subsidiary |
| Quesscorp Holdings Pte. Ltd. | Subsidiary |

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**(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture (continued)**

| Name of the entity | Nature of relationship |
|---|---|
| Quessglobal (Malaysia) Sdn. Bhd. | Subsidiary |
| Quess Corp Lanka (Private) Limited | Subsidiary |
| Comtel Solutions Pte. Ltd. | Subsidiary |
| Ikya Business Services (Private) Limited | Subsidiary |
| MFXchange Holdings, Inc. | Subsidiary |
| MFXchange US, Inc. | Subsidiary |
| MFXchange (Ireland) Limited | Subsidiary |
| Quess Corp Vietnam LLC | Subsidiary |
| MFX Chile SpA | Subsidiary |
| Dependo Logistics Solutions Private Limited | Subsidiary |
| CentreQ Business Services Private Limited | Subsidiary |
| Excelus Learning Solutions Private Limited | Subsidiary |
| Inticore VJP Advance Systems Private Limited | Subsidiary |
| Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) | Subsidiary |
| Vedang Cellular Services Private Limited | Subsidiary |
| Master Staffing Solutions Private Limited | Subsidiary |
| Golden Star Facilities and Services Private Limited | Subsidiary |
| Comtelpro Pte. Limited. | Subsidiary |
| Comtelink Sdn. Bhd | Subsidiary |
| Monster.com (India) Private Limited | Subsidiary |
| Monster.com.SG PTE Limited | Subsidiary |
| Monster.com HK Limited | Subsidiary |
| Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn Bhd) | Subsidiary |
| Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | Subsidiary |
| Greenpiece Landscapes India Private Limited | Subsidiary |
| Simpliance Technologies Private Limited | Subsidiary |
| Quesscorp Management Consultancies (formerly known as Styracorp Management Services) | Subsidiary |
| Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower Supply Services (LL | Subsidiary |
| Trimax Smart Infraprojects Private Limited | Associate |
| Terrier Security Services (India) Private Limited | Associate |
| Heptagon Technologies Private Limited | Associate |
| Quess Recruit, Inc. | Associate |
| Quess East Bengal FC Private Limited | Associate |
| Agency Pekerjaan Quess Recruit Sdn. Bhd. | Associate |
| Himmer Industrial Services (M) Sdn. Bhd. | Joint venture |

**(ii) Related party transactions during the year**

*(Amount in Rs)*

| Particulars | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| Revenue from Operations | | | |
| | Go Digit General Insurance Limited | 862,860 | 846,535 |
| | Go Digit Infoworks Services Pvt Ltd | 220,000 | 235,000 |
| Payment made by related parties on behalf of the Company | | | |
| | Quess Corp Limited | 599,437 | 223,805 |
| Professional fees | | | |
| | Quess Corp Limited | - | 3,250,000 |

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**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs)*

| Particulars | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| Unbilled Revenue | Go Digit General Insurance Limited | 55,905 | - |
| | Go Digit Infoworks Services Pvt Ltd | 15,000 | - |
| Other payables | Quess Corp Limited | 599,437 | - |

**(iv) Compensation of key managerial personnel***

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Ranjit Nair | - | - |
| Subrata Nag | - | - |
| | - | - |

**19 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

**20 Comparability with previous period**

Previous year figures are reclassified/ regrouped wherever necessary.

**21 Merger with Quess Corp Limited**

The Board of Directors of the Company had at its Meeting held on 20th October, 2018, approved the Scheme of amalgamation ("Scheme") among CentreQ Business Services Private Limited ("Transferor Company") with Quess Corp Limited ("Transferee Company"). Upon the scheme becoming effective the Transferor Company stands dissolved, all the assets and liabilities of the transferor companies will be recorded at their book values in the Transferee Company. On 27th March 2019 the Scheme has been filed with BSE and NSE. The Scheme of amalgamation shall be subject to receipt of necessary approvals of shareholders and creditors, SEBI, Stock Exchanges, Regional Director and other regulatory authorities as may be required.

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## 22 Taxes

### A Amount recognised in profit or loss

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| ***Current tax:*** | | |
| In respect of the current year | (249,036) | (5,200) |
| Excess provision related to prior years | - | - |
| ***Deferred tax:*** | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | - | - |
| Increase/ reduction of tax rate | - | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **(249,036)** | **(5,200)** |

### B Reconciliation of effective tax rate

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | | For the year ended 31 March 2018 | |
|---|---|---|---|---|
| | Rate | Amount | Rate | Amount |
| Profit before tax | | 331,324 | | 16,665 |
| Tax using the Company's domestic tax rate | 75.16% | 249,036 | 30.90% | 5,200 |
| **Effect of:** | | | | |
| Tax exempt income | 0.00% | - | 0.00% | - |
| Non-deductible expenses | 0.00% | - | - | - |
| Unrecognised tax losses | 0.00% | - | - | - |
| Deferred tax credit for earlier periods | 0.00% | - | - | - |
| Difference in enacted tax rate | 0.00% | - | - | - |
| **Effective tax rate** | **75.16%** | **249,036** | **30.90%** | **5,200** |
| Less: Excess provision related to prior years | - | - | 0.00% | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **75.16%** | **249,036** | **30.90%** | **5,200** |

### C The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018

**Non-current tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 349,354 | 379,569 |
| Income tax liabilities | - | - |
| **Net income tax assets at the end of the year** | **349,354** | **379,569** |

**Current tax liabilities (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | - | - |
| Income tax liabilities | - | - |
| **Net income tax liabilities at the end of the year** | - | - |

### D Deferred tax assets, net

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax assets:** | | |
| Impairment loss allowance on financial assets | - | - |
| Provision on employee benefits- Gratuity & Compensated absences | - | - |
| Deferred Tax on Bonus | - | - |
| Provision for disputed Claims | - | - |
| Interest on Service Tax | - | - |
| Provision for rent Escalation | - | - |
| Present Valuation of Financial Instruments | - | - |
| Deferred Tax others | - | - |
| Deferred tax on fixed assets | - | - |
| Minimum alternate tax credit entitlement | - | - |
| **Net deferred tax assets** | - | - |

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**E Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Rs)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets on:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Others | - | - | - | - | - |
| Business loss current year and carried forward | - | - | - | - | - |
| Unabsorbed Depreciation CY and carried forward | - | - | - | - | - |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | - | - | - | - | - |
| **Net deferred tax assets** | - | - | - | - | - |

*(Amount in Rs)*

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets on:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Others | - | - | - | - | - |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | - | - | - | - | - |
| **Net deferred tax assets** | - | - | - | - | - |

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**23 Financial instruments - fair value and risk management**

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

*(Amount in Rs)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-19 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Trade receivables | 195,343 | - | - | 195,343 |
| Cash and cash equivalents including other bank balances | 308,205 | - | - | 308,205 |
| Unbilled revenue | 90,135 | - | - | 90,135 |
| **Total financial assets** | **593,683** | **-** | **-** | **593,683** |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 758,832 | - | - | 758,832 |
| Other financial liabilities | 40,500 | - | 40,500 | - |
| **Total financial liabilities** | **799,332** | **-** | **40,500** | **758,832** |

*(Amount in Rs)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-18 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Trade receivables | 745,337 | - | - | 745,337 |
| Cash and cash equivalents including other bank balances | 2,756,611 | - | - | 2,756,611 |
| Unbilled revenue | 418,705 | - | - | 418,705 |
| **Total financial assets** | **3,920,653** | **-** | **-** | **3,920,653.00** |
| **Financial liabilities measured at amortised cost** | - | | | |
| Financial liability | - | - | - | - |
| **Total financial liabilities** | **-** | **-** | **-** | **-** |

** The fair value of these financial instruments is determined by using level 3 inputs of the fair value hierarchy.*

**Fair value hierarchy**

**Level 1:** Quoted Price (Unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly( i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based unobservable market data (Unobservable inputs)

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## 24 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Board of Directors of CentreQ Business Services Private Limited has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

**i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade receivables***

The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base.
The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.
The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

***Expected credit loss assessment for corporate customers as at 31 March 2019 are as follows:***

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers.
Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 360 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers:

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 17,700 | - | - | No | 17,700.00 |
| Past due 1–90 days | - | - | - | No | - |
| Past due 91–180 days | 35,400 | - | - | No | 35,400 |
| Past due 181–270 days | 320,925 | - | 306,800 | No | 14,125 |
| Past due 271–360 days | 434,918 | - | 306,800 | No | 128,118 |
| Above 360 days | 12,907 | - | 12,907 | Yes | - |
| | **821,850** | - | **626,507** | | **195,343** |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | - | - | - | No | - |
| Past due 1–90 days | 745,337 | - | - | No | 745,337 |
| Past due 91–180 days | - | - | - | No | - |
| Past due 181–270 days | - | - | - | No | - |
| Past due 271–360 days | - | - | - | No | |
| Above 360 days | - | - | - | Yes | |
| | **745,337** | - | - | | **745,337** |

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Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Cash and cash equivalents includes investment in fixed deposits with banks.

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

**i) Financing arrangement**

The Company maintains the following line of credit:

(i) The Company has not taken any loan as at 31 March 2019

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | Carrying amount | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | - | - | - | - | - |
| Trade payables | 758,832 | 758,832 | - | - | - |
| Other financial liabilities | - | - | - | - | - |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | Carrying amount | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | - | - | - | - | - |
| Trade payables | - | - | - | - | - |
| Other financial liabilities | - | - | - | - | - |

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long-term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**iv) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowing comprises of vehicle loans, working capital loans, finance lease obligations, loan from related parties and debentures which carries fixed rate of interest, which do not expose it to interest rate risk. However, non-convertible debenture has a fixed coupon rate but there is a condition of call/put option associated with change in interest rate exposing it to interest rate risk. The borrowings also includes cash credit, bill discounting and term loan facilities and loans from related parties which carries variable rate of interest.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | - | - |
| Fixed rate borrowings | - | - |
| **Total borrowings** | - | - |

**(b) Sensitivity**

*(Amount in Rs)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% Increase | 1% decrease | 1% Increase | 1% decrease |
| **31 March 2019** | | | | |
| Variable rate borrowings | - | - | - | - |
| **31 March 2018** | - | | | |
| Variable rate borrowings | - | - | - | - |

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**25 Revenue from Contracts with customers**

**(i) Disaggregation of revenue**

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in Rs)*

| Particulars | People Services |
|---|---|
| **Revenues by Geography** | |
| India | 1,938,090 |
| **Total** | 1,938,090 |

**(ii) Trade Receivables and Contract Balances**

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.
Invoicing in excess of earnings are classified as unearned revenue.
Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 195,343 | 745,337 |
| Contract assets | 90,135 | 418,705 |
| Contract liabilities | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 418,705 |
| Add : Revenue recognized during the year | 90,135 |
| Less : Invoiced during the year | 418,705 |
| Less : Impairment / (reversal) during the year | - |
| Add : Translation gain/(Loss) | - |
| **Balance at the end** | **90,135** |

**(iii) Performance obligations and remaining performance obligations**

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is Nil.

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**(iv) Changes in accounting policies**

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The quantitative impact of the adoption of Ind AS 115 on the consolidated financial statements in the period of initial application is not material.

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As per our report of even date attached
**for Vasan and Sampath LLP**
Chartered Accountants
Firm's Registration No: 004542S/ S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of Board of Directors of
**CentreQ Business Services Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN: 02234000

Place: Bengaluru
Date: 9 May 2019

## INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**Coachieve Solutions Private Limited**

### Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanyingstandalone financial statements of **Coachieve Solutions Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report but does not include the financial statements and our auditor's report thereon.



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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that, an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

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- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

2) As required by Section 143 (3) of the Act, we report that;
   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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;

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c. the Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement, and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

d. in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant Rule 7 of the Companies (Accounts) Rules, 2014;

e. on the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

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, 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 and accordingly there is no impact on its financial position;

   ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

   iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: May 09, 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Coachieve Solutions private limited** of even date)

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

b. The company has a regular program of physical verification of its fixed assets by which all the fixed assets are verified by the management on an annual basis. In our opinion, the periodicity is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification;

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable property as at March 31, 2019;

ii. The Company's operations do not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans and investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable.

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities. As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable

b. According to the information and explanations given to us, there are no statutory dues including provident fund, employee state insurance, dues of income-tax, goods and service tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute

viii. The company does not have any loans or borrowings from any financial institution, banks, government or debenture holder during the year. Consequently, comment on clause (viii) of the Order is not applicable

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

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x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act, is not applicable;

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable;

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP • CHARTERED ACCOUNTANTS • BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703
Place: Bengaluru
Date: May 09, 2019

**ANNEXURE B - to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Coachieve Solutions Private Limited** of even date)

**Report on the Internal Financial Controls 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 **Coachieve Solutions Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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[1] and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone 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.

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[1] Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').

**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 authorizations of management and directors of the Company; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: May 09, 2019

**Coachieve Solutions Private Limited**
**Balance Sheet**

*(Amount in Rs)*

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 2,107,236 | 1,088,706 |
| Intangible assets | 4 | 123,268 | 210,301 |
| Intangible assets under construction | 4 | 1,489,143 | - |
| Deferred tax assets (net) | 5 | 3,860,025 | 1,421,665 |
| Income tax assets (net) | 6 | 33,629,310 | 14,498,785 |
| Other non-current assets | 7 | - | 45,000 |
| | | **41,208,982** | **17,264,456** |
| **Current Assets** | | | |
| **Financial assets** | | | |
| Trade and other receivables | 8 | 46,908,769 | 13,107,235 |
| Cash and cash equivalents | 9 | 17,171,661 | 6,267,728 |
| Bank balance other than above | 10 | 500,000 | - |
| Current loans | 11 | 355,000 | 855,000 |
| Other financial assets | 12 | 8,851 | - |
| Unbilled revenue | 13 | 17,391,195 | 32,132,593 |
| Other current assets | 14 | 12,334,393 | 4,194,572 |
| | | **94,669,869** | **56,557,129** |
| **Total Assets** | | **135,878,851** | **73,821,585** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | 31,100,000 | 31,100,000 |
| Other equity | 16 | (64,696,509) | (73,026,437) |
| **Total Equity** | | **(33,596,509)** | **(41,926,437)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non- current provisions | 17 | 8,077,357 | 5,235,277 |
| | | **8,077,357** | **5,235,277** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| Borrowings | 18 | 80,801,041 | 92,930,644 |
| Trade payables | 19 | 6,940,918 | 2,303,815 |
| Other financial liabilities | 20 | 61,149,496 | 11,263,603 |
| Other current liabilities | 21 | 11,296,971 | 3,165,597 |
| Current provisions | 22 | 1,209,577 | 849,086 |
| | | **161,398,003** | **110,512,745** |
| **Total Equity and Liabilites** | | **135,878,851** | **73,821,585** |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**Coachieve Solutions Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 9 May 2019

**Coachieve Solutions Private Limited**
**Statement of profit and loss**

*(Amount in Rs)*

| | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 23 | 349,396,124 | 117,384,125 |
| Other income | 24 | 8,851 | - |
| **Total Income** | | **349,404,975** | **117,384,125** |
| **Expenses** | | | |
| Employee benefits expense | 25 | 202,579,131 | 76,997,435 |
| Finance costs | 26 | 7,909,782 | 5,339,984 |
| Depreciation and amortisation expense | 27 | 1,056,868 | 309,206 |
| Other expenses | 28 | 129,910,899 | 34,726,496 |
| **Total expenses** | | **341,456,680** | **117,373,121** |
| **Profit before tax** | | **7,948,295** | **11,004** |
| **Tax expense** | 5A | | |
| Current tax | | (2,438,360) | (149,802) |
| Adjustments of tax relating to earlier periods | | - | 1,664,948 |
| Deferred tax | | 2,438,360 | 149,802 |
| **Profit for the year** | | **7,948,295** | **1,675,952** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains/ (losses) on defined benefit plans | | 381,633 | (82,653) |
| Deferred tax | | - | - |
| **Other comprehensive income for the year** | | **381,633** | **(82,653)** |
| **Total comprehensive income for the year** | | **8,329,928** | **1,593,299** |
| **Earnings per equity share (face value of Rs 10 each)** | 34.5 | | |
| Basic | | 2.56 | 0.54 |
| Diluted | | 2.56 | 0.54 |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

VASAN & SAMPATH LLP • CHARTERED ACCOUNTANTS • BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**Coachieve Solutions Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 9 May 2019

**Coachieve Solutions Private Limited**
**Statement of Changes in Equity**

*(Amount in Rs)*

| Particulars | Share Capital | OTHER EQUITY | | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|---|
| | | Reserves and Surplus | | Other Comprehensive Income | |
| | | Securities Premium | Retained Earnings | Remeasurement of the net defined benefit liability/ (asset) | |
| **Balance as at 1 April 2017** | **31,100,000** | **-** | **(74,215,581)** | **(404,158)** | **(43,519,739)** |
| Add: Profit for the year | - | - | 1,675,952 | - | 1,675,952 |
| Add: Other comprehensive income for the year | | | | | |
| Remeasurement gain/ (loss) on defined benefit plan | - | - | - | (82,653) | (82,653) |
| **Balance as at 31 March 2018** | **31,100,000** | **-** | **(72,539,629)** | **(486,811)** | **(41,926,440)** |
| | | | | | |
| **Balance as at 1 April 2018** | **31,100,000** | **-** | **(72,539,629)** | **(486,811)** | **(41,926,440)** |
| Add: Profit for the year | - | - | 7,948,295 | - | 7,948,295 |
| Add: Other comprehensive income for the year | | | | | |
| Remeasurement gain/ (loss) on defined benefit plan | - | - | - | 381,633 | 381,633 |
| **Balance as at 31 March 2019** | **31,100,000** | **-** | **(64,591,334)** | **(105,178)** | **(33,596,512)** |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

VASAN & SAMPATH LLP · BANGALORE INDIA · CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**Coachieve Solutions Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 9 May 2019

**Coachieve Solutions Private Limited**
**Statement of Cash Flows**

*(Amount in Rs)*

| | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | **8,329,928** | **1,593,299** |
| **Adjustments for:** | | |
| Depreciation and amortisation expense | 1,056,868 | 309,206 |
| Bad debts written off | 1,417,900 | 1,256,579 |
| Allowance for credit loss | 3,514,361 | 2,140,055 |
| Deposits/ advances written-off | - | 231,250 |
| Finance costs | 7,909,782 | 5,339,984 |
| **Operating cash flows before working capital changes** | **22,228,839** | **10,870,373** |
| **Working capital adjustments:** | | |
| **Changes in:** | | |
| Trade and other receivables | (38,733,794) | (6,873,849) |
| Other financial assets | 15,232,547 | (29,587,851) |
| Other assets | (8,094,821) | (2,672,953) |
| Trade payables | 4,637,103 | (25,396) |
| Other financial liabilities | 49,885,894 | 3,055,991 |
| Other liabilities | 8,131,374 | (2,217,542) |
| Provisions | 3,202,570 | 2,099,787 |
| **Cash generated from operations** | **56,489,712** | **(25,351,440)** |
| Income taxes paid, net of refund | (21,568,886) | (7,860,085) |
| **Net cash (used in) / provided by operating activities (A)** | **34,920,826** | **(33,211,525)** |
| **Cash flows from investing activities** | | |
| Expenditure on property, plant and equipment and intangible, net of sale proceeds | (3,477,508) | (1,096,052) |
| Bank deposits (having original maturity of more than three months) | (500,000) | - |
| **Net cash used in investing activities (B)** | **(3,977,508)** | **(1,096,052)** |
| **Cash flows from financing activities** | | |
| Proceeds from/ (repayment) of borrowings | (12,129,604) | 44,665,594 |
| Finance costs paid | (7,909,782) | (5,339,984) |
| **Net cash provided by/ (used in) financing activities (C)** | **(20,039,386)** | **39,325,610** |
| Net increase in cash and cash equivalents (A+B+C) | 10,903,932 | 5,018,033 |
| Cash and cash equivalents at the beginning of the year | 6,267,729 | 1,249,696 |
| **Cash and cash equivalents at the end of the year (refer note 8)** | **17,171,661** | **6,267,729** |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership No: 205703

for and on behalf of the Board of Directors of
**Coachieve Solutions Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 9 May 2019

Place: Bengaluru
Date: 9 May 2019

**3 Property, plant and equipment** *(Amount in Rs)*

| Particulars | Office equipment | Furniture and fixtures | Computer equipment | Total |
|---|---|---|---|---|
| **Gross block** | | | | |
| **As at 31 March 2017** | **370,199** | - | **234,602** | **604,801** |
| Additions during the year | 961,158 | - | - | **961,158** |
| Disposals for the year | - | - | - | - |
| **As at 31 March 2018** | **1,331,357** | - | **234,602** | **1,565,959** |
| Assets reclassed | **(346,915)** | | **367,927** | 21,012 |
| Additions during the year | 143,150 | 93,220 | 1,682,344 | 1,918,714 |
| Disposals for the year | - | - | - | - |
| **As at 31 March 2019** | **1,127,592** | **93,220** | **2,284,872** | **3,505,684** |
| **Accumulated depreciation** | | | | |
| **As at 31 March 2017** | **129,752** | - | **129,074** | **258,826** |
| Depreciation for the year | 140,297 | | 78,130 | 218,427 |
| Accumulated depreciation on deletions | - | - | - | - |
| **As at 31 March 2018** | **270,049** | - | **207,204** | **477,253** |
| Assets reclassed | **21,010** | | - | 21,010 |
| Depreciation for the year | 242,476 | 4,598 | 653,112 | 900,186 |
| Accumulated depreciation on deletions | - | - | - | - |
| **As at 31 March 2019** | **533,534** | **4,598** | **860,316** | **1,398,449** |
| **Net Block :** | | | | |
| **As at 31 March 2019** | **594,058** | **88,622** | **1,424,556** | **2,107,236** |
| **As at 31 March 2018** | **1,061,308** | - | **27,398** | **1,088,706** |

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Coachieve Solutions Pvt. Ltd.

**4 Intangible assets**

*(Amount in Rs)*

| Particulars | Computer software | Total | Intangible assets under development |
|---|---|---|---|
| **Gross block** | | | |
| **As at 31 March 2017** | **170,863** | **170,863** | |
| Additions during the year | 134,894 | 134,894 | |
| Disposals for the year | - | - | |
| **As at 31 March 2018** | **305,757** | **305,757** | - |
| Additions during the year | 69,650 | 69,650 | 1,489,143 |
| Disposals for the year | - | - | - |
| **As at 31 March 2019** | **375,407** | **375,407** | **1,489,143** |
| **Accumulated amortisation** | | | |
| **As at 31 March 2017** | **4,677** | **4,677** | - |
| Amortisation for the year | 90,779 | 90,779 | - |
| Accumulated amortisation on deletions | - | - | - |
| **As at 31 March 2018** | **95,456** | **95,456** | - |
| Amortisation for the year | 156,683 | **156,683** | - |
| Accumulated amortisation on deletions | - | - | - |
| **As at 31 March 2019** | **252,139** | **252,139** | **-** |
| **Net Block** | | | |
| **As at 31 March 2019** | **123,268** | **123,268** | **1,489,143** |
| **As at 31 March 2018** | **210,301** | **210,301** | **-** |

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**5 A Amount recognised in profit or loss**

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| ***Current tax:*** | | |
| In respect of the current period | (2,438,360) | (149,802) |
| Adjustments of tax relating to earlier periods (refer note (i) below) | - | 1,664,948 |
| ***Deferred tax:*** | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | 2,438,360 | 149,802 |
| Increase/ reduction of tax rate | - | - |
| **Income tax income/ (expense) reported in the Statement of profit and loss** | - | **1,664,948** |

(i) The Company pays tax as per the provisions of section 115JB of the Income Tax Act, 1961 where the applicable tax rate is 19.055%.

**The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:**

*(Amount in Rs)*

| Particulars | For the year ended | | | |
|---|---|---|---|---|
| | 31 March 2019 | | 31 March 2018 | |
| | Rate | Amount | Rate | Amount |
| **Profit before tax** | | **7,948,295** | | **11,004** |
| Tax using the Company's domestic tax rate | -27.82% | (2,211,216) | -25.75% | (2,833) |
| **Effect of:** | | | | |
| Unrecognised tax losses | 27.82% | 2,211,216 | 25.75% | 2,833 |
| Deferred tax not created because realisation not probable | 0.00% | - | - | - |
| **Effective tax rate** | - | - | - | - |
| Less: Excess provision related to prior years reversed | | - | | **1,664,948** |
| **Income tax income/ (expense) reported in the Statement of profit and loss** | - | - | - | **1,664,948** |

The tax rates under Indian Income Tax Act, for the year ended 31 March 2019 and 31 March 2018 is 27.82% and 25.75% respectively.
* Deferred tax represents MAT expenses

**B Deferred tax**

Deferred tax relates to the following: *(Amount in Rs)*

| Particulars | Balance sheet | | Statement of profit and loss | |
|---|---|---|---|---|
| | As at | As at | For the year ended | |
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| MAT credit availed | 3,860,025 | 1,421,665 | - | - |
| **Net deferred tax assets/ (liabilities)*** | **3,860,025** | **1,421,665** | - | - |

* The company has not recognised deferred tax asset as at 31 March 2019 and 31 March 2018, due to absence of reasonable certainty of set off of unabsorbed losses against taxable profits in the foreseeable future. However, Company has recognised MAT credit entitlement.

**The Company has not created deferred tax assets on the following:** *(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Property, plant and equipment | 35,474 | (12,999) |
| Provision for doubtful receivables/deposits | 2,944,133 | 1,820,121 |
| Provision for compensated absence | 800,238 | 505,431 |
| Provision for gratuity | 1,783,387 | 1,061,292 |
| Losses available for offsetting against future taxable income | 9,050,730 | 12,209,178 |
| | **14,613,962** | **15,583,023** |

**The following table provides the details of deferred tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018:**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Deferred Tax assets | 3,860,025 | 1,421,665 |
| Deferred Tax Liabilities | - | - |
| **Net deferred tax assets/ (liability) at the end of the year** | **3,860,025** | **1,421,665** |

**The following table provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018:**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Income tax assets | 33,629,310 | 14,498,785 |
| Income tax liabilities | - | - |
| **Net income tax assets at the end of the year** | **33,629,310** | **14,498,785** |

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**C Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Rs)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for bonus | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for interest on service tax | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Fixed assets | - | - | - | - | - |
| MAT credit entitlement | 1,421,665 | - | 2,438,360 | - | 3,860,025 |
| Others | - | - | - | - | - |
| | **1,421,665** | **-** | **2,438,360** | **-** | **3,860,025** |

*(Amount in Rs)*

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for bonus | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for interest on service tax | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Fixed assets | - | - | - | - | - |
| MAT credit entitlement | 1,271,863 | - | 149,802 | - | 1,421,665 |
| Others | - | - | - | - | - |
| | **1,271,863** | **-** | **149,802** | **-** | **1,421,665** |

**D Unrecognised deferred tax assets/ (liabilities)**

The Company does not have unrecognised deferred tax liabilities.

Unrecognised deferred tax assets related primarily to business losses. These unexpired business losses will expire based on the year of origination as follows:

**As at 31st March 2019** *(Amount in Rs)*

| Years | Unabsorbed business losses |
|---|---|
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| 2024 | 32,348,168 |
| Thereafter | 185,010 |
| **Total** | 32,533,178 |

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**5 Deferred tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Minimum alternate tax credit entitlement | 3,860,025 | 1,421,665 |
| | **3,860,025** | **1,421,665** |

**6 Income tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advance income tax | 33,629,310 | 14,498,785 |
| | **33,629,310** | **14,498,785** |

**7 Other non-current assets**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *(Unsecured and considered good)* | | |
| Capital advances | - | 45,000 |
| | **-** | **45,000** |

**8 Trade receivables**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good (refer note 34.6 for related party) | 46,908,769 | 13,107,235 |
| Considered doubtful | 10,582,793 | 7,068,432 |
| Less: allowances for credit losses (refer note 32) | (10,582,793) | (7,068,432) |
| | **46,908,769** | **13,107,235** |

**9 Cash and cash equivalents**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Balances with banks | | |
| In current accounts | 17,171,661 | 6,267,728 |
| | **17,171,661** | **6,267,728** |

**10 Other bank balances**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In deposit accounts (mature within 12 months from the reporting date) | 500,000 | - |
| | **500,000** | **-** |

**11 Current loans**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| Security deposits | 355,000 | 855,000 |
| | **355,000** | **855,000** |

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## 12 Other financial assets

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| Interest accrued but not due | 8,851 | - |
| | **8,851** | - |

## 13 Unbilled revenue

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue (refer note 34.6 for related party) | 17,391,195 | 32,132,593 |
| | **17,391,195** | **32,132,593** |

## 14 Other current assets

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| ***Advances other than capital advances*** | | |
| Advances to suppliers | - | 552,638 |
| Advances to employees | 12,301,175 | 3,500,913 |
| **Others** | | |
| Prepaid expenses | 33,218 | 21,359 |
| Balances receivable from government authorities | - | 119,662 |
| | **12,334,393** | **4,194,572** |

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## 15 Equity share capital

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 3,300,000 equity shares of par value of Rs 10 each | 33,000,000 | 33,000,000 |
| | **33,000,000** | **33,000,000** |
| **Issued, subscribed and paid-up** | | |
| 3,110,000 equity shares of par value of Rs 10 each, fully paid up | 31,100,000 | 31,100,000 |
| | **31,100,000** | **31,100,000** |

### 15.1 Reconciliation of number of shares outstanding at the beginning and at the end of the year

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| At the commencement of the year | 3,110,000 | 31,100,000 | 3,110,000 | 31,100,000 |
| Shares issued during the year | - | - | - | - |
| At the end of the year | **3,110,000** | **31,100,000** | **3,110,000** | **31,100,000** |

### 15.2 Shares held by holding company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 3,109,999 | 31,099,990 | 3,109,999 | 31,099,990 |
| | **3,109,999** | **31,099,990** | **3,109,999** | **31,099,990** |

### 15.3 Details of shareholders holding more than 5% shares in the Company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % of Holding | Number of shares | % of Holding |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 3,109,999 | 99.99% | 3,109,999 | 99.99% |
| | **3,109,999** | | **3,109,999** | |

### 15.4 Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of Rs.10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. Each equity holder is entitled to one vote per share. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of preferential amounts if any, in proportion to the number of equity shares held.

## 16 Other equity

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Retained earnings | (64,591,331) | (72,539,626) |
| Other comprehensive income | (105,178) | (486,811) |
| | - | |
| | **(64,696,509)** | **(73,026,437)** |

## 17 Non-current provisions

(Amount in Rs)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefit** | | |
| Provision for gratuity (refer note 34.2) | 5,972,482 | 3,804,702 |
| Provision for compensated absences (refer note 34.4) | 2,104,875 | 1,430,575 |
| | **8,077,357** | **5,235,277** |

## 18 Current borrowings

(Amount in Rs)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Loan from related parties, unsecured* | | |
| From Quess Corp Limited (refer note 34.6) | 80,801,041 | 92,930,644 |
| | **80,801,041** | **92,930,644** |

Loan from Quess Corp Limited carrying an interest rate equal to that of 10 year government bond, on a monthly basis, on actual amount utilised, and is repayable on demand.

## 19 Trade payables

(Amount in Rs)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to micro, small and medium enterprises (refer note 34.3) | - | - |
| Dues to other than micro, small and medium enterprises | 6,940,918 | 2,303,815 |
| | **6,940,918** | **2,303,815** |

As on 31 March 2019 and 31 March 2018, there are no outstanding amounts due to micro and small enterprises. There are no interests due or outstanding on the same.

## 20 Other current financial liabilities

(Amount in Rs)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Other Payables*** | | |
| Accrued salaries and benefits | 18,940,232 | 6,284,189 |
| Accrued expenses | 42,209,264 | 4,979,414 |
| | **61,149,496** | **11,263,603** |

## 21 Other current liabilities

(Amount in Rs)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 11,296,971 | 3,165,597 |
| | **11,296,971** | **3,165,597** |

## 22 Current provisions

(Amount in Rs)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 34.2) | 437,968 | 316,822 |
| Provision for compensated absences (refer note 34.4) | 771,609 | 532,264 |
| | **1,209,577** | **849,086** |

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**23 Sale of services**

*(Amount in Rs)*

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| Compliance management fees (refer note 34.6 for related party) | 256,418,833 | 112,652,569 |
| Staffing Services (refer note 34.6 for related party) | 92,977,291 | - |
| Background verification fees (refer note 34.6 for related party) | - | 4,731,556 |
| | **349,396,124** | **117,384,125** |

**24 Other income**

*(Amount in Rs)*

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| Miscellaneous income | 8,851 | - |
| | **8,851** | **-** |

**25 Employee benefits expense**

*(Amount in Rs)*

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| Salaries and wages | 181,018,834 | 70,874,621 |
| Contribution to provident and other funds | 17,857,734 | 3,781,888 |
| Gratuity (refer note 34.2) | 2,670,559 | 1,501,666 |
| Compensated absences (refer note 34.4) | 913,645 | 515,468 |
| Staff welfare expenses | 118,359 | 323,792 |
| | **202,579,131** | **76,997,435** |

**26 Finance costs**

*(Amount in Rs)*

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| Interest expense (refer note 34.6) | 7,909,782 | 5,339,984 |
| | **7,909,782** | **5,339,984** |

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**27 Depreciation and amortisation expense**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 900,186 | 218,427 |
| Amortisation of intangible assets (refer note 4) | 156,683 | 90,779 |
| | **1,056,868** | **309,206** |

**28 Other expenses**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Verification/ compliance management expenses | 45,422,317 | 12,870,961 |
| Travelling and conveyance | 13,821,398 | 9,085,152 |
| Legal and professional fees* | 62,293,469 | 4,341,310 |
| Allowance for credit loss (refer note 32) | 3,514,361 | 2,140,055 |
| Rent (refer note 34.6 for related party) | 866,021 | 1,448,750 |
| Power and fuel | 160,404 | 410,190 |
| Bad debts written off | 1,417,900 | 1,256,579 |
| Business promotion expenses | 21,936 | 279,500 |
| Communication expenses | 348,585 | 255,002 |
| Deposits/ advances written-off | - | 231,250 |
| Insurance | 19,500 | 68,460 |
| Printing and stationery | 1,017,956 | 421,372 |
| Rates and taxes | 10,728 | 442,066 |
| Repairs & Maintenance | | |
| - buildings | 217,557 | 618,874 |
| - others | 730,502 | 856,975 |
| Miscellaneous expenses | 48,266 | - |
| | **129,910,899** | **34,726,496** |

***Payment to auditors (net of GST; included in legal and professional fees)**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 235,000 | 200,000 |
| Tax audit fees | - | - |
| Other services | - | 58,000 |
| | 235,000 | 258,000 |

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## 29 Revenue from Contracts with customers

### (i) Disaggregation of revenue

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in Rs.)*

| Particulars | Compliance Management | Staffing Services | Total |
|---|---|---|---|
| **Revenues by Geography** | | | |
| India | 256,418,833 | 92,977,291 | 349,396,124 |
| **Total** | **256,418,833** | **92,977,291** | **349,396,124** |

### (ii) Trade Receivables and Contract Balances

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue. Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 46,908,769 | 13,107,235 |
| Contract assets (Unbilled revenue) | 17,391,195 | 32,132,593 |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 32,132,593 |
| Add : Revenue recognized during the period | 17,391,195 |
| Less : Invoiced during the period | 32,132,593 |
| Less : Impairment / (reversal) during the period | - |
| Add: Changes due to Business Combinations | - |
| Add : Translation gain/(Loss) | - |
| **Balance at the end** | **17,391,195** |

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The following table discloses the movement in unearned revenue (contract liabilities) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | - |
| Add : Reclassified from assets held for sale | - |
| Less: Revenue recognized during the period | - |
| Add: Changes due to Business Combinations | - |
| Add: Invoiced during the period but not recognized as revenues | - |
| Add: Translation loss / (gain) | - |
| Balance at the end | - |

**(iii) Performance obligations and remaining performance obligations**

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for
(i) contracts with an original expected duration of one year or less and
(ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is Nil.

**(iv) Changes in accounting policies**

The Company has consistently applied the accounting policies to all periods presented in these consolidated financials statements, except for the change in Ind AS 115 " Revenue from contracts with customers".

Effective 1 April 2018, the Company has adopted Ind AS 115, using the cumulative effect method, accordingly the cumulative effect of initially applying Ind AS 115 is recognised in the opening equity as at 1 April 2018. In accordance with the cumulative effect method, the comparatives have not been retrospectively restated/ adjusted. The impact of the adoption of Ind AS 115 on the financial statements as at 1 April 2018 was insignificant.

As a result the Company has changed its accounting policy for revenue recognition, following is the summary of revised accounting policy. Refer note 1 Significant accounting policies in the Company's FY 18-19 Annual Report for the accounting policies prior to 1 April 2018.

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## 30 Financial instruments - fair value and risk management

### Accounting classification and fair value

The carrying value and fair value of financial instruments by categories as at 31 March 2019 and 31 March 2018 are as follows:

### Fair value hierarchy

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | Carrying value | Fair value | | |
|---|---|---|---|---|
| **Financial assets** | **31 March 2019** | **Level 1** | **Level 2** | **Level 3** |
| **Amortised cost** | | | | |
| Trade receivables | 46,908,769 | - | - | - |
| Cash and cash equivalents | 17,171,661 | - | - | - |
| Bank balance other than above | 500,000 | | | - |
| Current loans | 355,000 | - | - | - |
| Other financial assets | 8,851 | | | - |
| Unbilled revenue | 17,391,195 | - | - | - |
| **Total financial assets** | **82,335,476** | - | - | - |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Borrowings | 80,801,041 | - | - | - |
| Trade payables | 6,940,918 | - | - | - |
| Other financial liabilities | 61,149,497 | - | - | - |
| **Total financial liabilities** | **148,891,456** | - | - | - |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | Carrying value | Fair value | | |
|---|---|---|---|---|
| **Financial assets** | **31 March 2018** | **Level 1** | **Level 2** | **Level 3** |
| **Amortised cost** | | | | |
| Trade receivables | 13,107,235 | - | - | - |
| Cash and cash equivalents | 6,267,728 | - | - | - |
| Current loans | 855,000 | - | - | - |
| Unbilled revenue | 32,132,593 | - | - | - |
| **Total financial assets** | **52,362,557** | - | - | - |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Borrowings | 92,930,644 | - | - | - |
| Trade payables | 2,303,815 | - | - | - |
| Other financial liabilities | 11,263,603 | - | - | - |
| **Total financial liabilities** | **106,498,062** | - | - | - |

The management assessed that fair value of cash and short-term deposits, trade receivables, other current assets, borrowings, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## 31 Fair value hierarchy

**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference shares included in level 3.

The management assessed that fair value of financials assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Hence there are no financials assets or liabilities revalued at fair value.

**A Financial Assets:**

1) Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

1) **Borrowings:** It includes working capital loan and payments on behalf of the entity from Quess Corp Ltd. These borrowings are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

2) **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

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**32 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. Since the top few customers of the company are its related companies, the credit risk is on the lower side.

**i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry in which the customer operates, also has an influence on credit risk assessment.

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables.

***Expected credit loss assessment for corporate customers as at 31 March 2019 and 31 March 2018 are as follows:***

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers.
Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 270 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

**Expected credit loss for trade receivables:**

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 28,487,085 | 8.82% | 2,511,971 | No | 25,975,114 |
| Past due 1–90 days | 22,770,181 | 19.01% | 4,327,650 | No | 18,442,531 |
| Past due 91–180 days | 2,617,459 | 25.19% | 659,466 | No | 1,957,994 |
| Past due 181–270 days | 994,801 | 46.41% | 461,671 | No | 533,130 |
| Past due 271–360 days | 645,649 | 100.00% | 645,649 | Yes | - |
| Above 360 days | 1,976,387 | 100.00% | 1,976,387 | Yes | - |
| | **57,491,562** | | **10,582,793** | | **46,908,769** |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 7,809,238 | 9.90% | 773,317 | No | 7,035,921 |
| Past due 1–90 days | 6,633,518 | 25.13% | 1,667,182 | No | 4,966,337 |
| Past due 91–180 days | 1,838,293 | 52.58% | 966,503 | No | 871,790 |
| Past due 181–270 days | 843,333 | 72.35% | 610,145 | No | 233,188 |
| Past due 271–360 days | 1,555,439 | 100.00% | 1,555,439 | Yes | - |
| Above 360 days | 1,495,846 | 100.00% | 1,495,846 | Yes | - |
| | **20,175,668** | | **7,068,432** | | **13,107,236** |

**Movement in allowance for impairment in respect of trade receivables:**
**The movement in the allowance for impairment in respect of trade receivables during the year was as follows:**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Balance as at the beginning of the year** | **7,068,432** | **4,928,377** |
| Impairment loss allowances recognised/ (reversed) | 3,514,361 | 2,140,055 |
| **Balance as at the end of the year** | **10,582,793** | **7,068,432** |

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**ii) Liquidity risk**

The Company's principal source of liquidity are cash and cash equivalents and financial support from the holding company (refer note 17). Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018:

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | | Contractual cash flows | | |
|---|---|---|---|---|
| | Carrying amount | Less than 1 year | 1-2 years | 2 years and above |
| Borrowings | 80,801,041 | 80,801,041 | - | - |
| Trade payables | 6,940,918 | 6,940,918 | - | - |
| Other financial liabilities | 61,149,497 | 61,149,497 | - | - |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | | Contractual cash flows | | |
|---|---|---|---|---|
| | Carrying amount | Less than 1 year | 1-2 years | 2 years and above |
| Borrowings | 92,930,644 | 92,930,644 | - | - |
| Trade payables | 2,303,815 | 2,303,815 | - | - |
| Other financial liabilities | 11,263,603 | 11,263,603 | - | - |

**iii) Market risk**

Market risk is the risk that changes in market prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including payables and long term debt.

**iv) Currency risk**

The Company is not exposed to significant currency risk as the revenue and expenses are primarily denominated in INR.

**v) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company borrowings as at 31 March 2019 comprises only loan from holding company, which do not expose it to significant interest rate risk.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | 80,801,041 | 92,930,644 |
| **Total borrowings** | **80,801,041** | **92,930,644** |

**(b) Sensitivity** *(Amount in Rs)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| **31 March 2019** | | | | |
| Variable rate borrowings | (808,010) | 808,010 | (808,010) | 808,010 |
| **31 March 2018** | | | | |
| Variable rate borrowings | (929,306) | 929,306 | (929,306) | 929,306 |

**33 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

Consistent with others in the industry, the company monitors capital on the basis of following gearing ratio:

Net debt (total liabilities net of cash and cash equivalent) divided by Total equity (as shown in balance sheet date)

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total External Liabilities | 169,475,361 | 115,748,022 |
| Less: Cash and cash equivalents | 17,171,661 | 6,267,728 |
| **Adjusted net debt (borrowings net of cash and cash equivalents)** | **152,303,700** | **109,480,294** |
| | | |
| Total equity | (33,596,509) | (41,926,437) |
| **Net debt (Total external liabilities) to equity ratio** | **(4.53)** | **(2.61)** |

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**34 Notes to accounts**

***34.1*** **Capital Commitments** *(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital contracts and not provided for (net of advances and deposits) | - | 45,000 |
| | - | **45,000** |

***Contingent liabilities and Commitments***

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Contingent liabilities** | | |
| Claims against company not acknowledged as Debts | - | - |
| | - | - |

***34.2*** **Assets and liabilities relating to employee benefits**

**A** The Company operates post-employment defined benefit plan that provides gratuity. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Scheme is not funded. The Company accrued gratuity under the provisions of the Payment of Gratuity Act, 1972 as applicable as at the balance sheet date and the maximum payment is restricted to Rs 20 lakhs.

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 6,410,450 | 4,121,524 |
| Liability for compensated absences | 2,876,484 | 1,962,839 |
| **Total employee benefit liability** | **9,286,934** | **6,084,363** |
| | | |
| **(a) Gratuity** | | |
| Current | 437,968 | 849,086 |
| Non- Current | 5,972,482 | 5,235,277 |
| | **6,410,450** | **6,084,363** |
| | | |
| **(b) Compensated Absences** | | |
| Current | 771,609 | 532,264 |
| Non- Current | 2,104,875 | 1,430,575 |
| | **2,876,484** | **1,962,839** |

For details about employee benefit expenses, see note 2.2.9

**B Reconciliation of net defined benefit liability/ asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| Obligation at the beginning of the year | 4,121,524 | 2,537,205 |
| Current service cost | 2,355,487 | 1,323,485 |
| Past service cost | - | 703 |
| Interest cost | 315,072 | 177,478 |
| Benefit settled | - | - |
| Actuarial (gains)/ losses recognised in other comprehensive income | | |
| - Changes in experience adjustments | (520,059) | 302,366 |
| - Changes in demographic assumptions | - | - |
| - Changes in financial assumptions | 138,426 | (219,713) |
| **Obligation at the end of the year** | **6,410,450** | **4,121,524** |

**C i) Expense recognised in profit or loss** *(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 2,355,487 | 1,323,485 |
| Interest cost | 315,072 | 177,478 |
| **Net gratuity cost** | **2,670,559** | **1,500,963** |

**ii) Remeasurement recognised in other comprehensive** *(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | (381,633) | 82,653 |
| Remeasurement of the net defined benefit asset | - | - |
| | **(381,633)** | **82,653** |

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**D Plan assets** *(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Funds managed by insurer | - | - |
| | - | - |

**E Defined benefit obligation - Actuarial Assumptions**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 6.70% - 7.35% | 7.65% |
| Salary increase | 6%-9% | 9.00% |
| Attrition rate | 12.5%- 30% | 12.50% |
| Average duration of defined benefit obligation (in years) | 7-8 Years | 8 Years |

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The expected return on plan assets is based on expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

**F Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant acturial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 5,935,129 | 6,950,863 | 3,817,248 | 4,468,104 |
| Future salary growth (1% movement) | 6,007,027 | 6,867,876 | 4,460,204 | 3,818,173 |
| Attrition rate (1% movement) | 6,961,920 | 6,415,877 | 3,766,874 | 4,644,783 |

**Maturity profile of defined benefit obligation** *(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Within 1 year | 437,968 | 316,822 |
| 2-5 years | 2,612,487 | 1,727,661 |
| 6-10 years | 3,677,444 | 2,257,570 |
| More than 10 years | 6,260,178 | 4,408,318 |

**34.3 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

**34.4 Leave encashment**

The Company has accounted the cost of leave encashment based on the acturial valuation report obtained on 31 March 2019 and has estimated a leave encashment liability of Rs 28,76,484 (Previous year: Rs 1,962,839) under projected unit credit method as per Ind AS 19 . During the year, the Company accounted incremental liability as compared to liability accounted in previous year in statement of profit and loss for the year.

**Key assumptions used in the valuation of leave encashment Liability are as given below:**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 7.35% | 7.65% |
| Salary increase | 9.00% | 9.00% |
| Attrition rate | 12.50% | 12.50% |
| Mortality rate | LIC (2006-08) published table of mortality rates | LIC (2006-08) published table of mortality rates |

***34.5 Computation of Earnings per share (EPS)***

*(Amount in Rs except number of shares and per share data)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares | 10 | 10 |
| Net profit after tax for the purpose of earnings per share | 7,948,295 | 1,675,952 |
| Weighted average number of shares used in computing basic earnings per share | 3,110,000 | 3,110,000 |
| **Basic earnings per share** | **2.56** | **0.54** |
| Weighted average number of shares used in computing diluted earnings per share | 3,110,000 | 3,110,000 |
| **Diluted earnings per share** | **2.56** | **0.54** |

**Computation of weighted average number of shares**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Number of equity shares outstanding at beginning of the year** | 3,110,000 | 3,110,000 |
| Add: Weighted average number of equity shares issued during the year | - | - |
| **Weighted average number of shares outstanding at the end of year for computing basic and diluted earnings per share** | 3,110,000 | 3,110,000 |

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***34.6 Related party disclosures***

**I. Related party relationships**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Holding Company | Quess Crop Limited |
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Subsidiaries, associates and joint venture | Refer Note (ii) |
| - Entity having common directors | Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key | Styracorp Management Services (till 18 December 2018) |
| - Relative of a Director | Saraah Isaac |

**(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture**

| Name of the entity | Nature of relation |
|---|---|
| Dependo Logistics Solutions Private Limited | Subsidiary |
| MFX Infotech Private Limited | Subsidiary |
| Aravon Services Private Limited | Subsidiary |
| Brainhunter Systems Ltd. | Subsidiary |
| Mindwire Systems Limited | Subsidiary |
| Brainhunter Companies LLC, USA | Subsidiary |
| Quess (Philippines) Corp. | Subsidiary |
| Quess Corp (USA) Inc. | Subsidiary |
| Quesscorp Holdings Pte. Ltd. | Subsidiary |
| Quessglobal (Malaysia) Sdn. Bhd. | Subsidiary |
| Quess Corp Lanka (Private) Limited | Subsidiary |
| Comtel Solutions Pte. Ltd. | Subsidiary |
| Ikya Business Services (Private) Limited | Subsidiary |
| MFXchange Holdings, Inc. | Subsidiary |
| MFXchange US, Inc. | Subsidiary |
| MFXchange (Ireland) Limited | Subsidiary |
| Quess Corp Vietnam LLC | Subsidiary |
| MFX Chile SpA | Subsidiary |
| CentreQ Business Services Private Limited | Subsidiary |
| Excelus Learning Solutions Private Limited | Subsidiary |
| Inticore VJP Advance Systems Private Limited | Subsidiary |
| Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) | Subsidiary |
| Vedang Cellular Services Private Limited | Subsidiary |
| Master Staffing Solutions Private Limited | Subsidiary |
| Golden Star Facilities and Services Private Limited | Subsidiary |

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**(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture**

| Name of the entity | Nature of relation |
|---|---|
| Comtelpro Pte. Limited. | Subsidiary |
| Comtelink Sdn. Bhd | Subsidiary |
| Monster.com (India) Private Limited | Subsidiary |
| Monster.com.SG PTE Limited | Subsidiary |
| Monster.com HK Limited | Subsidiary |
| Bhd) | Subsidiary |
| Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | Subsidiary |
| Greenpiece Landscapes India Private Limited | Subsidiary |
| Simpliance Technologies Private Limited | Subsidiary |
| Quesscorp Management Consultancies (formerly known as Styracorp Management Services) | Subsidiary |
| Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower Supply Services (LLC)] | Subsidiary |
| Trimax Smart Infraprojects Private Limited | Associate |
| Terrier Security Services (India) Private Limited | Associate |
| Heptagon Technologies Private Limited | Associate |
| Quess Recruit, Inc. | Associate |
| Quess East Bengal FC Private Limited | Associate |
| Agency Pekerjaan Quess Recruit Sdn. Bhd. | Associate |
| Himmer Industrial Services (M) Sdn. Bhd. | Joint venture |

**Key executive management personnel**

| Name | Designation |
|---|---|
| Subrata Kumar Nag | Group CEO & Director |
| Ranjit Nair | Director |

**(ii) Related party transactions during the year** *(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Holding Company** | | |
| **Payments made by holding company on behalf of the company** | | |
| - Quess Corp Limited | 8,249,533 | 11,510,144 |
| **Unsecured loan received from holding company** | | |
| - Quess Corp Limited | 54,920,000 | 72,155,000 |
| **Unsecured loan received from holding company repaid** | | |
| - Quess Corp Limited | 64,682,340 | 39,177,075 |
| **Interest on unsecured loan received from holding company** | | |
| - Quess Corp Limited | 7,903,217 | 5,339,984 |
| **Rendering of services by related parties** | | |
| - Saraah Isaac | 538,273 | 508,490 |
| - Simpliance Techonogies Private Limited | 15,430,375 | 3,254,709 |
| - Quess Corp Limited | 60,000,000 | - |
| - Thomas Cook (India) Limited | 84,375 | - |
| - Terrier Security Services Private Limited | 179,137 | 369,907 |
| **Unbilled revenue** | | |
| - Quess Corp Limited | 4,218,883 | 10,930,983 |
| - Thomas Cook (India) Limited | 121,850 | |
| - Terrier Security Services Private Limited | - | 15,394,008 |
| **Rendering of services to related party** | | |
| - Quess Corp Limited | 78,229,374 | 36,889,569 |
| - Thomas Cook (India) Limited | 9,884,434 | 905,324 |
| - Aravon Services Private Limited | - | 9,350 |
| - Terrier Security Services Private Limited | - | 2,001,761 |
| - Qdigi Services Limited | 93,382,591 | - |
| - Simpliance Techonogies Private Limited | 753,695 | - |
| - Dependo Logistics Solutions Pvt Ltd | - | 122,500 |

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**34.6** ***Related party disclosures (Contd.)***

**(iii) Balance receivables from or payable to related parties as at the balance sheet date:** *(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured loan payable including interest** | | |
| Quess Corp Limited | 80,801,041 | 92,930,644 |
| **Debts due to** | | |
| Quess Corp Limited | 2,114,936 | - |
| Saraah Isaac | 42,213 | 38,289 |
| Simpliance Technologies Private Limited | 4,836,627 | - |
| Aravon Services Private Limited | 280 | 280 |
| **Debts due from** | | |
| Thomas Cook (India) Limited | 4,510,303 | 394,057 |
| Simpliance Technologies Private Limited | 813,955 | 500,000 |
| Qdigi Services Limited | 14,064,392 | - |
| Dependo Logistics Solutions Pvt Ltd | - | 42,000 |

***34.7*** ***Segment reporting***

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is in the business of rendering compliance management, staffing and background verification services for group companies and other external clients which are considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

***34.8*** The Board of Directors of the Company had at its Meeting held on 20th October, 2018, approved the **Scheme of amalgamation ("Scheme")** among **Coachieve Solutions Private Limited ("COAL")**, known as **("Transferor Companies")** with **Quess Corp Limited ("Transferee Company").** Upon the scheme becoming effective the Transferor Companies stands dissolved, all the assets and liabilities of the transferor companies will be recorded at their book values in the Transferee Company. On 27th March 2019 the Scheme has been filed with BSE and NSE.

The Scheme of amalgamation shall be subject to receipt of necessary approvals of shareholders and creditors, SEBI, Stock Exchanges, Regional Director and other regulatory authorities as may be required.

***34.9*** Previous year figures are reclassified/ regrouped wherever necessary.

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

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**Unnikrishnan Menon**
Partner
Membership No: 203703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**Coachieve Solutions Private Limited**

**Ranjit Nair**
Director
DIN: 07086634

**Subrata Kumar Nag**
Director
DIN: 02234000

Place: Bengaluru
Date: 9 May 2019

B S R & Associates LLP
Chartered Accountants

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## INDEPENDENT AUDITORS' REPORT

**To the Members of Conneqt Business Solutions Limited** (formerly known as Tata Business Support Services Limited)

### Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited) ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

We draw attention to Note 34(ii) to the financial statements which describes the contingent liability regarding the provident fund contribution pursuant to Supreme Court Judgement dated 28 February 2019. The Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has made a provision for provident fund contribution pursuant to the judgement only from the date of Supreme Court Order.

Our opinion is not modified in respect of this matter.

## Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Auditor's Responsibilities for the Audit of the Financial Statements**

- Conclude 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account;

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act read with relevant Rules issued thereunder;

e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

**Conneqt Business Solutions Limited** (formerly known as Tata Business Support Services Limited)
**Independent Auditor's Report on the Financial Statements** (continued)

**Report on Other Legal and Regulatory Requirements (Continued)**

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 34 to the financial statements;

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; and

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

(C) The Company has not paid/ provided managerial remuneration to any directors during the financial year ended 31 March 2019. Accordingly, the matter to be included in the Auditors' Report under section 197(16) is not applicable to the Company.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm's Registration Number: 116231W/ W-100024

**Hemant Maheshwari**
*Partner*
Membership No: 096537

Place: Bengaluru
Date: 08 May 2019

**Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited)**
**Annexure A to the Independent Auditor's Report**

The Annexure A referred to in the Independent Auditor's Report of even date, on the Ind AS Financial Statements to the Members of Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) ('the Company') for the year ended 31 March 2019. We report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner, over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the Ind AS financial statements, are held in the name of the Company.

(ii) The Company is in the business of rendering services, and consequently, does not hold any inventory. Accordingly, paragraph 3(ii) of the Order is not applicable to the Company.

(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 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.

(v) The Company has not accepted any deposits from the public in accordance with the provisions of Section 73 to 76 of the Act and Rules framed thereunder. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.

(vi) The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act, for any services rendered by the Company. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Income-tax, Goods and Service tax, and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. Provident Fund, Employees' State Insurance and Professional Tax have not generally been regularly deposited with the appropriate authorities and there have been delays in a number of cases. As explained to us, the Company did not have any dues on account of Sales-tax, Service Tax, Duty of customs, Duty of excise, Value Added Tax and Cess. Refer note 34(ii) to the financial statements relating to provident fund contribution.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' state insurance, Income-tax, Goods and Service tax, and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable except as mentioned below:

| Name of the statute | Nature of the dues | Amount in ₹ Lakhs | Period to which the amount relates | Due date | Paid subsequent to the year end in ₹ Lakhs |
|---|---|---|---|---|---|
| Provident Fund and Miscellaneous Provisions Act, 1952 | Provident fund | 212.45 | April 2017 to August 2018 | $15^{th}$ of the subsequent month | Not paid till date. |
| Employees' State Insurance Act, 1948 | Employee State Insurance | 28.42 | April 2017 to August 2018 | $15^{th}$ of the subsequent month | 9.24 |
| Profession Tax Act | Professional tax | 34.66 | April 2017 to August 2018 | $15^{th}$ of the subsequent month | Not paid till date. |

(b) According to the information and explanations given to us, there are no dues of Income tax, Goods and Service tax which have not been deposited with the appropriate authorities on account of any dispute. As explained to us, the Company did not have any dues on account of Duty of customs and Duty of excise. According to the information and explanations given to us, the following dues of Service tax has not been deposited by the Company on account of disputes:

| Name of the Statute | Nature of Dues | Amount in ₹ Lakhs * | Period to which the amount relates | Forum Where the dispute is pending |
|---|---|---|---|---|
| Finance Act,1994 | Service tax, interest and Penalty there on | 38.69 | Financial year 2011-12 to 2013-14 | Company has filed an appeal with Central Excise Service Tax Appellate Tribunal, Mumbai, on 26 of April 2019 against the order passed by Commissioner (Appeals) on 28 December 2018 |
| | | 54.12 | Financial year 2014-15 | |
| | Service tax | 16.86 (1.37) | Financial year 2011-12 | Central Excise Service Tax Appellate Tribunal, Bangalore |
| | | 389.89 (14.61) | Financial year 2007 to 2009 | Central Excise Service Tax Appellate Tribunal, Mumbai |
| | | 62.91 | Financial year 2008-09 to 2010-11 | High Court of Telangana |
| | | 0.62 | Financial year 2014-15 | Central Excise Service Tax Appellate Tribunal, Bangalore |
| | | 4,433.35 (333.74) | Financial year 2011-12 to 2016-17 | Central Excise Service Tax Appellate Tribunal, Hyderabad |

* Amounts in parenthesis represents amounts paid under protest.

**Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited)**
**Annexure A to the Independent Auditor's Report** (continued)

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to any financial institution or bank as at the balance sheet date. The Company has not obtained loans from Government, nor has it issued any debentures as at the balance sheet date.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instrument) during the year. Further, according to the information and explanations given to us and based on our examination of the records on the Company, the money raised by way of terms loans during the year has been utilised for the purpose for which they were raised.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

(xi) According to the information and explanations given to us and based on our examination of the records on the Company, the Company has paid/ provided for managerial remuneration to manager in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act. The Company has not paid/ provided managerial remuneration to any directors during the financial year ended 31 March 2019.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in Note 25 to the financial statements as required by the applicable accounting standards.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transaction with the directors or person connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

**Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited)**
**Annexure A to the Independent Auditor's Report** (continued)

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm Registration Number: 116231W/ W-100024

**Hemant Maheshwari**
*Partner*
Membership No.: 096537

Place: Bengaluru
Date: 08 May 2019

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Annexure B to the Independent Auditor's Report**

**Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

We have audited the internal financial controls with reference to financial statements of Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited) ('the Company') as of 31 March 2019 in conjunction with our audit of the 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 with reference to financial statements 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 (the 'Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). 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 Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 with reference to financial statements.

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Annexure B to the Independent Auditor's Report**

**Meaning of Internal Financial Controls With reference to financial statements**

A company's internal financial control with reference to financial statements 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 with reference to financial statements 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 With reference to financial statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2019, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm's Registration Number: 116231W/ W-100024

**Hemant Maheshwari**
*Partner*
Membership No: 096537

Place: Bengaluru
Date: 08 May 2019

# CONNEQT BUSINESS SOLUTIONS LIMITED

(Formerly TATA BUSINESS SUPPORT SERVICES LIMITED)

# 24th Annual Report

Regd. Off: Gowra Trinity, Chiran Fort Lane, Begumpet, Hyderabad

Connegt Business Solutions Limited (formerly known as Tata Business Support Services Limited)
Balance Sheet

*(Amount in INR Lakhs)*

| | Note no. | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 8,641.64 | 7,614.16 |
| Capital work-in-progress | | 31.28 | 18.87 |
| Intangible assets | 4 | 562.97 | 351.38 |
| Financial assets | | | |
| Loans receivables | 5.1 | 1,640.92 | 1,461.19 |
| Other financial assets | 5.2 | 125.00 | - |
| Deferred tax assets (net) | 24 | 2,708.98 | 2,023.50 |
| Non-current tax assets | 6 | 5,557.13 | 5,410.23 |
| Other non-current assets | 7 | 794.72 | 826.50 |
| **Total non-current assets** | | **20,062.64** | **17,705.83** |
| **Current assets** | | | |
| Financial assets | | | |
| Trade receivables | 8.1 | 11,096.27 | 10,015.02 |
| Cash and cash equivalents | 8.2 (a) | 4,039.99 | 2,004.98 |
| Bank balances other than cash and cash equivalents | 8.2 (b) | - | 250.00 |
| Loans receivables | 8.3 | 390.49 | 443.55 |
| Other financial assets | 8.4 | 8,711.54 | 6,191.39 |
| Other current assets | 9 | 1,137.20 | 954.33 |
| **Total current assets** | | **25,375.49** | **19,859.27** |
| **TOTAL ASSETS** | | **45,438.13** | **37,565.10** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 10 | 9,150.85 | 9,150.85 |
| Other equity | 11 | 12,479.14 | 8,504.43 |
| **Total equity** | | **21,629.99** | **17,655.28** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 12 | 319.44 | 932.67 |
| Provisions | 13 | 1,428.40 | 1,195.09 |
| Other non-current liabilities | 14 | 166.10 | 250.80 |
| **Total non-current liabilities** | | **1,913.94** | **2,378.56** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 15.1 | - | 1,787.58 |
| Trade payables | 15.2 | | |
| Dues of micro enterprises and small enterprises | | - | - |
| Dues of creditors other than micro enterprises and small enterprises | | 2,790.65 | 3,244.89 |
| Other financial liabilities | 15.3 | 14,854.97 | 8,996.56 |
| Provisions | 16 | 1,559.33 | 2,100.75 |
| Other current liabilities | 17 | 2,689.25 | 1,401.48 |
| **Total current liabilities** | | **21,894.20** | **17,531.26** |
| **Total liabilities** | | **23,808.14** | **19,909.82** |
| **TOTAL EQUITY AND LIABILITIES** | | **45,438.13** | **37,565.10** |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the financial statements.
As per our Report of even date attached.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm's Registration No.: 116231W/ W- 100024

**Hemant Maheshwari**
*Partner*
Membership No.: 096537

Place: Bengaluru
Date: 8 May 2019

*for* **and on behalf of the Board of Directors**
**Connegt Business Solutions Limited**
CIN: U64200TG1995PLC044060

**Subrata Kumar Nag**
*Chairman*
DIN: 02234000

**Srinivasan Guruprasad**
*Director*
DIN: 07596207

**Neeraj Tandon**
*Chief Executive Officer*

**A.S. Krishnan**
*Chief Financial Officer*

**V. Sampath**
*Company Secretary*

Place: Bengaluru
Date: 8 May 2019

CONNEQT BUSINESS SOLUTIONS LIMITED

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Statement of Profit and Loss**

*(Amount in INR Lakhs)*

| | Note no. | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 18 | 85,417.07 | 73,927.36 |
| Other income | 19 | 546.95 | 368.69 |
| **Total income** | | **85,964.02** | **74,296.05** |
| | | | |
| **Expenses** | | | |
| Employee benefits expense | 20 | 59,694.35 | 53,264.84 |
| Finance costs | 21 | 565.93 | 644.44 |
| Depreciation and amortisation expense | 3, 4 | 2,324.69 | 1,910.23 |
| Other operating expenses | 22 | 1,248.21 | 1,273.95 |
| Other expenses | 23 | 17,066.81 | 14,478.11 |
| **Total expenses** | | **80,899.99** | **71,571.57** |
| | | | |
| **Profit before tax** | | **5,064.03** | **2,724.48** |
| | | | |
| **Tax expense:** | | | |
| Current tax | 24 | 1,601.48 | 1,435.74 |
| Deferred tax benefit | 24 | (624.92) | (652.28) |
| Provision for tax relating to earlier years | 24 | - | (367.19) |
| **Profit for the year (A)** | | **4,087.47** | **2,308.21** |
| | | | |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Re-measurement of defined benefit liability | | (173.32) | (197.48) |
| Income-tax relating to items that will not be reclassified to profit or loss | | 60.56 | 68.34 |
| **Other comprehensive income for the year, net of income tax (B)** | | **(112.76)** | **(129.14)** |
| | | | |
| **Total comprehensive income for the year (A+B)** | | **3,974.71** | **2,179.07** |
| | | | |
| **Earnings per equity share (face value of INR 10 each)** | | | |
| Basic (in INR) | 31 | **4.47** | **2.52** |
| Diluted (in INR) | 31 | **4.47** | **2.52** |
| | | | |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the financial statements.
As per our Report of even date attached.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm's Registration No.: 116231W/ W- 100024

**Hemant Maheshwari**
*Partner*
Membership No.: 096537

Place: Bengaluru
Date: 8 May 2019

*for* **and on behalf of the Board of Directors**
**Conneqt Business Solutions Limited**
CIN: U64200TG1995PLC044060

**Subrata Kumar Nag**
*Chairman*
DIN: 02234000

**Srinivasan Guruprasad**
*Director*
DIN: 07596207

**Neeraj Tandon**
*Chief Executive Officer*

Place: Bengaluru
Date: 8 May 2019

**A.S. Krishnan**
*Chief Financial Officer*

**V. Sampath**
*Company Secretary*

CONNEQT BUSINESS SOLUTIONS LIMITED

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Statement of changes in equity**

*(Amount in INR Lakhs)*

| | Equity share capital | Other equity | | Total equity attributable to equity holders of the Company |
|---|---|---|---|---|
| | | Reserves and surplus | | |
| | | Capital redemption reserve | Retained earnings | |
| **Balance as at 1 April 2017** | **9,150.85** | - | **6,655.72** | **15,806.57** |
| Profit for the year | | - | 2,308.21 | 2,308.21 |
| Appropriations for dividend and taxes thereon | | - | (330.36) | (330.36) |
| Transferred to capital redemption reserve from retained earnings on account of redemption of preference shares | | 1,500.00 | (1,500.00) | - |
| Re-measurement of defined benefit liability/ (asset), net of taxes | | - | (129.14) | (129.14) |
| **Balance as of 31 March 2018** | **9,150.85** | **1,500.00** | **7,004.43** | **17,655.28** |
| | | | | |
| **Balance as at 1 April 2018** | **9,150.85** | **1,500.00** | **7,004.43** | **17,655.28** |
| Profit for the year | | - | 4,087.47 | 4,087.47 |
| Re-measurement of defined benefit liability/ (asset), net of taxes | | - | (112.76) | (112.76) |
| **Balance as of 31 March 2019** | **9,150.85** | **1,500.00** | **10,979.14** | **21,629.99** |

As per our Report of even date attached.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm's Registration No.: 116231W/ W- 100024

**Hemant Maheshwari**
*Partner*
Membership No.: 096537

Place: Bengaluru
Date: 8 May 2019

*for* **and on behalf of the Board of Directors**
**Conneqt Business Solutions Limited**
CIN: U64200TG1995PLC044060

**Subrata Kumar Nag**
*Chairman*
DIN: 02234000

**Srinivasan Guruprasad**
*Director*
DIN: 07596207

**Neeraj Tandon**
*Chief Executive Officer*

**A.S. Krishnan**
*Chief Financial Officer*

**V. Sampath**
*Company Secretary*

Place: Bengaluru
Date: 8 May 2019

CONNEQT BUSINESS SOLUTIONS LIMITED

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Statement of Cash Flows**

*(Amount in INR Lakhs)*

| | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 5,064.03 | 2,724.48 |
| | | |
| **Adjustments for:** | | |
| Depreciation and amortisation expense | 2,324.69 | 1,910.23 |
| Loss/ (profit) on sale of property, plant and equipment, net | 29.66 | (4.39) |
| Liabilities no longer required written back | (599.22) | - |
| Bad debts written off | 288.00 | 398.96 |
| (Reversals)/ Provisions for doubtful debts, net | (122.19) | 25.19 |
| Provision for doubtful advances | 65.46 | - |
| Interest income on term deposits and others | (109.96) | (54.44) |
| Unrealised exchange loss/ (gain) | 6.25 | (4.08) |
| Finance costs | 565.93 | 644.44 |
| **Operating cash flows before working capital changes** | **7,512.65** | **5,640.39** |
| (Increase)/ decrease in trade and other receivable | (1,249.49) | 2,316.34 |
| Increase in loans receiavbles and other financial assets | (2,666.73) | (4,115.58) |
| (Increase)/ decrease in other assets | (191.21) | 55.02 |
| Increase in trade payables and other financial liabilities | 6,491.82 | 366.16 |
| Increase in other liabilities | 1,086.40 | 477.77 |
| (Decrease)/ increase in provisions | (481.43) | 1,003.97 |
| **Cash generated from operations** | **10,502.01** | **5,744.07** |
| Income-taxes paid, net of refund | (1,748.38) | (1,927.76) |
| **Net cash generated from operating activities (A)** | **8,753.63** | **3,816.31** |
| | | |
| **Cash flows from investing activities** | | |
| Purchase on property, plant and equipment and intangible assets | (3,892.54) | (1,660.11) |
| Proceeds from sale of property, plant and equipment | 143.43 | 76.76 |
| Interest income on term deposits and others | 104.01 | 60.76 |
| Deposits matured/ (placed) (having original maturity of more than 3 months), net | 125.00 | (248.42) |
| **Net cash used in investing activities (B)** | **(3,520.10)** | **(1,771.01)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from long-term borrowings | 228.61 | 1,187.52 |
| Repayment of long-term borrowings | (1,186.47) | (487.33) |
| Repayment of redeemable preference shares | - | (1,800.00) |
| (Repayment)/ proceeds of short term borrowings, net | (1,000.00) | 1,000.00 |
| Dividend paid | - | (330.36) |
| Finance cost paid | (449.27) | (720.76) |
| **Net cash used in financing activities (C)** | **(2,407.13)** | **(1,150.93)** |
| | | |
| **Net increase in cash and cash equivalents (A+B+C)** | **2,826.40** | **894.37** |
| Cash and cash equivalents at the beginning of the year | 1,217.40 | 322.92 |
| Exchange difference on translation of foreign currency cash and bank balances | (3.81) | 0.11 |
| **Cash and cash equivalents at the end of the year** | **4,039.99** | **1,217.40** |

**Reconciliation of cash and cash equivalents as per the cash flow statement**

| Cash and cash equivalents as per above comprise of the following | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances with banks | | |
| - In current accounts | 4,039.99 | 1,943.61 |
| - In EEFC accounts | - | 61.37 |
| Bank overdraft (refer note 15.1) | - | (787.58) |
| **Cash and cash equivalents as per the statement of cash flows** | **4,039.99** | **1,217.40** |

The notes referred to above form an integral part of the financial statements.
As per our Report of even date attached.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm's Registration No.: 116231W/ W- 100024

Memyat

**Hemant Maheshwari**
*Partner*
Membership No: 096537

Place: Bengaluru
Date: 8 May 2019

*for* **and on behalf of the Board of Directors**
**Conneqt Business Solutions Limited**
CIN: U64200TG1995PLC044060

Subrata Nag

**Subrata Kumar Nag**
*Chairman*
DIN: 02234000

**Srinivasan Guruprasad**
*Director*
DIN: 07596207

Neeraj Tandon

**Neeraj Tandon**
*Chief Executive Officer*

**A.S. Krishnan**
*Chief Financial Officer*

**V. Sampath**
*Company Secretary*

Place: Bengaluru
Date: 8 May 2019

CONNEQT BUSINESS SOLUTIONS LIMITED

**Company overview**

Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited) is an unlisted public limited company incorporated and domiciled in India. The registered office of the Company is located at Hyderabad, Telangana, India. The Company is engaged in the business of providing Business Process Outsourcing Services including Contact Center Services. It also provides back-office solutions for application processing, operations and banking, collections, legal remedial and finance and accounting services. These services cater to the customers in telecommunications, entertainment media, automobile, manufacturing, retail, banking, financial services and insurance (BFSI) sectors and operate from India.

## 1. Basis of preparation

### 1.1. Statement of compliance

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) and the provisions of the Companies Act, 2013 ('the Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The standalone Ind AS financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency and all amounts have been rounded off to the nearest lakhs up to two places of decimals, unless otherwise stated.

### 1.2. Basis of measurement

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

- Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);
- Defined benefit and other long-term employee benefits where plan assets are measured at fair value less present value of defined benefit obligations ("DBO").

### 1.3. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

## 1. Basis of preparation (continued)

### 1.3. Use of estimated and judgements (continued)

- **Contingent liabilities:** Contingent liabilities are not recognised in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

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- **Income taxes:** Significant judgements are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.
- **Measurement of defined benefit obligations:** Key actuarial assumptions used for actuarial valuation.

- **Impairment of financial assets:** The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

- **Property, plant and equipment:** Useful life of asset.

- **Other estimates:** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit- worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

### 1.4. Measurement of fair values

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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## 2. Significant accounting policies

### 2.1. Property, plant and equipment

*i. Recognition and measurement*
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalised until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

*ii. Subsequent expenditure*
Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the statement of profit and loss when incurred.

*iii. De-recognition*
The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Gains and losses on disposals are determined by comparing proceeds with carrying amount. Assets to be disposed-off are reported at the lower of the carrying value or the fair value less cost to sell.

*v. Depreciation methods, estimated useful lives and residual value*
Depreciation is provided on a Straight Line Method ('SLM') over estimated useful life of the fixed assets estimated by the Management. The management believes that the useful lives as given below best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for these assets is different from the useful lives as prescribed under part C of Schedule II of the Companies Act, 2013. Depreciation for assets purchased/ sold during the year is proportionately charged.

The Company estimated the useful lives for fixed assets as follows:

| **Category** | **Useful life as per management** |
|---|---:|
| Leasehold improvements | Lease term or 8 years whichever is lower |
| Building | 60 |
| Air Conditioners | 8 |
| Electrical Works | 8 |
| Furniture & Fittings | 5 |
| Generators | 8 |
| Office Equipment | 5 |
| Vehicles | 5 |
| Information Technology and Networking Assets | 5 |

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2. **Significant accounting policies** (continued)

**2.1. Property, plant and equipment** (continued)

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

vi. Advance paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of the assets not put to use before such date are disclosed under Capital work-in-progress.

**2.2. Other intangible assets**

*i. Recognition and measurement*
Acquired intangible assets and assets acquired on business combinations are measured initially at cost. Other intangible assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

*ii. Subsequent expenditure*
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including on internally generated software is recognised in profit and loss as and when incurred.

*iv. Amortisation*
The Company amortises intangible assets with a finite useful life less their estimated residual values over their estimated useful lives using the straight- line method, and is included in depreciation and amortisation in statement of profit and loss.

The intangible asset is depreciated over a useful life of 3-5 years. The assets residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**2.3. Impairment of intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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2. **Significant accounting policies** (continued)

### 2.4. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### 2.5. Revenue recognition

The Company earns revenue primarily from providing business process outsourcing services including contact center services.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

— Revenue from time and material and job contracts is recognised on output basis measured by units delivered, efforts expended, number of transactions processed, etc.

— Revenue related to fixed price maintenance and support services contracts where the Company is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Unearned revenue ("contract liability") is recognised when there is billings in excess of revenues.

In accordance with Ind AS 37, the Company recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

The Company disaggregates revenue from contracts with customers by geography.

**Use of significant judgements in revenue recognition**

- The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price

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only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Company uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Contract fulfilment costs are generally expensed as incurred. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

### 2.6. Other income

Interest income or expenses is recognised using effective interest method.
The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial assets; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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## 2. Significant accounting policies (continued)

### 2.7. Financial instruments

**a) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

**b) Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified and measured at:

- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI- equity investment). This election is made on an investment-to-investment basis.

All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mistake that would otherwise arise.

**Financial assets: Subsequent measurement and gains and losses**

- Financial assets, at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.
- Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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**2. Significant accounting policies** (continued)

**2.7 Financial instruments** (continued)

**c) Impairment of financial assets**
The Company assess on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 27 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

**d) Derecognition of financial assets**
A financial asset is derecognised only when:

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

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

**Financial liabilities**
**a) Initial recognition and measurement**
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b) Subsequent measurement**
The measurement of financial liabilities depends on their classification, as described below:

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**2. Significant accounting policies** (continued)

**2.7 Financial instruments** (continued)

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

**Amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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## 2. Significant accounting policies (continued)

### 2.8. Employee benefits

**a) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the profit or loss does not include an expected return on plan assets. Instead net interest recognised in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of remeasurements of the net defined liability or asset through other comprehensive income.

Remeasurement of the net defined liability or asset (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

**b) Short-term employee benefits**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**c) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit method as at the reporting date.

**d) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee Provident Fund to Government administered Provident Fund Scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**e) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

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## 2. Significant accounting policies (continued)

### 2.9. Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognized in profit and loss, except exchange differences arising from the translation of the following items which are recognized in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective;
- and qualifying cash flow hedges to the extent that the hedges are effective.

### 2.10. Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for the cases mentioned below.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.
- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profits may not be available. Therefore, in case of history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realized. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realized.

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2. **Significant accounting policies** (continued)

### 2.11. Provisions (other than employee benefits)
A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre -tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

### 2.12. Contingent liability
A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

### 2.13. Cash and cash equivalents
Cash and cash equivalents includes cash on hand, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Effective 1 April 2017, the Company adopted the amendment to Ind AS 7 which requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the standalone financial statements.

### 2.14. Cash flow statement
Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

### 2.15. Earnings per share
The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.
The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.
Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that is dilutive and which either reduces earnings per share or increase loss per share are included.

### 2.16. Segment reporting
Based on the "management approach" as defined in Ind AS 108, Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segment. Business process outsourcing services has been considered as the only reportable segment. Hence, no separate final disclosure have been provided for the segment reporting.

### 2.17. Contributed equity
Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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## 2. Significant accounting policies (continued)

### 2.18. Recent accounting pronouncements

*Ind AS issued but not yet effective*

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective from April 1, 2019:

**Ind AS 116, *Leases***

The Company is required to adopt Ind AS 116, *Leases* from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, *Leases*.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the financial statements in the period of initial application is not reasonably estimable as at present.

**i. Leases in which the Company is a lessee**

The Company will recognise new assets and liabilities for its operating leases of offices, warehouse and factory facilities. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment.

No significant impact is expected for the Company's finance leases.

**ii. Leases in which the Company is a lessor**

The Company will reassess the classification of sub-leases in which the Company is a lessor. Based on the information currently available, the Company expects that it will reclassify one sub-lease as a finance lease.

No significant impact is expected for other leases in which the Company is a lessor.

**iii. Transition**

The Company plans to apply Ind AS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting Ind AS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

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**2. Significant accounting policies** (continued)

**2.18 Recent accounting pronouncements** (continued)

**Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 109 – Prepayment Features with Negative Compensation**

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Company does not expect this amendment to have any impact on its financial statements.

**Ind AS 19 – Plan Amendment, Curtailment or Settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any impact from this amendment.

**Ind AS 28 – Long-term Interests in Associates and Joint Ventures**

The amendments clarify that an entity applies Ind AS 109 Financial Instruments, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Company does not currently have any long-term interests in associates and joint ventures.

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## 2. Significant accounting policies (continued)

### 2.18 Recent accounting pronouncements (continued)

**Ind AS 103 – Business Combinations and Ind AS 111 – Joint Arrangements**

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business. The Company does not currently have any joint operations.

(All amounts in INR lakhs, except share data and where otherwise stated)

**3 Property, plant and equipment**

**Reconciliation of carrying amount**

| | Buildings | Air conditioners | Electrical fittings | Furniture and fittings | Generators | Leasehold improvement | Office equipment | Vehicles | Information technology and networking assets | Total tangible assets |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | | | | |
| **Balance as at 1 April 2017** | 3,543.96 | 364.48 | 447.23 | 673.20 | 39.87 | 563.78 | 313.56 | 496.68 | 3,289.76 | 9,732.52 |
| Additions | - | 28.18 | 56.78 | 51.02 | - | 30.87 | 129.95 | 187.85 | 1,146.88 | 1,631.53 |
| Disposals | - | - | 14.38 | - | - | - | 0.55 | 57.06 | 9.64 | 81.63 |
| **Balance as at 31 March 2018** | **3,543.96** | **392.66** | **489.63** | **724.22** | **39.87** | **594.65** | **442.96** | **627.47** | **4,427.00** | **11,282.42** |
| **Balance as at 1 April 2018** | 3,543.96 | 392.66 | 489.63 | 724.22 | 39.87 | 594.65 | 442.96 | 627.47 | 4,427.00 | 11,282.42 |
| Additions | - | 16.60 | 64.32 | 59.37 | - | 26.45 | 123.34 | 232.97 | 2,735.40 | 3,258.45 |
| Disposals | - | 15.96 | 111.98 | 52.31 | 4.04 | 127.26 | 20.12 | 100.08 | 68.38 | 500.13 |
| **Balance as at 31 March 2019** | **3,543.96** | **393.30** | **441.97** | **731.28** | **35.83** | **493.84** | **546.18** | **760.36** | **7,094.02** | **14,040.74** |
| **Accumulated depreciation** | | | | | | | | | | |
| **Balance as at 1 April 2017** | 62.75 | 64.63 | 104.17 | 230.77 | 10.30 | 106.28 | 99.32 | 113.77 | 1,185.30 | 1,977.29 |
| Depreciation for the year | 62.75 | 68.74 | 80.58 | 166.29 | 6.99 | 97.49 | 91.88 | 128.96 | 996.55 | 1,700.23 |
| Disposals | - | - | 0.99 | - | - | - | - | 8.09 | 0.18 | 9.26 |
| **Balance as at 31 March 2018** | **125.50** | **133.37** | **183.76** | **397.06** | **17.29** | **203.77** | **191.20** | **234.64** | **2,181.67** | **3,668.26** |
| **Balance as at 1 April 2018** | 125.50 | 133.37 | 183.76 | 397.06 | 17.29 | 203.77 | 191.20 | 234.64 | 2,181.67 | 3,668.26 |
| Depreciation for the year | 59.62 | 66.50 | 95.24 | 120.88 | 3.52 | 90.76 | 86.93 | 132.72 | 1,401.71 | 2,057.88 |
| Disposals | - | 9.27 | 74.06 | 36.14 | 2.15 | 94.93 | 12.25 | 52.70 | 45.54 | 327.04 |
| **Balance as at 31 March 2019** | **185.12** | **190.60** | **204.94** | **481.80** | **18.66** | **199.60** | **265.88** | **314.66** | **3,537.84** | **5,399.10** |
| **Carrying amount - net** | | | | | | | | | | |
| **As at 31 March 2019** | **3,358.84** | **202.70** | **237.03** | **249.48** | **17.17** | **294.24** | **280.30** | **445.70** | **3,556.18** | **8,641.64** |
| **As at 31 March 2018** | **3,418.46** | **259.29** | **305.87** | **327.16** | **22.58** | **390.88** | **251.76** | **392.83** | **2,245.33** | **7,614.16** |

**Note:**
Refer note 35 for disclsoure of contractual commitments for acquisations of property, plant and equipment.

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CONNEQT BUSINESS SOLUTIONS LIMITED

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Notes to the financial statements** (continued)
(All amounts in INR lakhs, except share data and where otherwise stated)

**4. Intangible assets**

**Reconciliation of carrying amount**

| Particulars | Computer software |
|---|---|
| **Gross carrying amount** | |
| **Balance as at 1 April 2017** | 693.09 |
| Additions | 191.99 |
| Disposals | - |
| **As at 31 March 2018** | **885.08** |
| | |
| **Balance as at 1 April 2018** | 885.08 |
| Additions | 478.40 |
| Disposals | - |
| **As at 31 March 2019** | **1,363.48** |
| | |
| **Accumulated amortisation** | |
| **As at 1 April 2017** | 323.70 |
| Charge for the year | 210.00 |
| Disposals | - |
| **As at 31 March 2018** | **533.70** |
| | |
| **Balance as at 1 April 2018** | **533.70** |
| Charge for the year | 266.81 |
| Disposals | - |
| **As at 31 March 2019** | **800.51** |
| | |
| **Carrying amounts - net** | |
| **As at 31 March 2019** | **562.97** |
| **As at 31 March 2018** | **351.38** |

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(All amounts in INR lakhs, except share data and where otherwise stated)

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 5.1** | **Non-current loans receivables** | | |
| | *Unsecured* | | |
| | Security deposits | 1,640.92 | 1,461.19 |
| | | **1,640.92** | **1,461.19** |
| **Note 5.2** | **Other non-current financial assets** | | |
| | Bank deposit accounts with maturity more than 12 months* | 125.00 | - |
| | | **125.00** | **-** |
| | *Represents lien marked deposit against bank guarantees. | | |
| **Note 6** | **Non-current tax assets** | | |
| | Tax deducted at source (net of provisions) | 5,557.13 | 5,410.23 |
| | | **5,557.13** | **5,410.23** |
| **Note 7** | **Other non-current assets** | | |
| | *Unsecured, considered good* | | |
| | Capital advances | 5.45 | 5.97 |
| | Advances other than capital advances | | |
| | Deposit paid under protest | 569.08 | 710.81 |
| | Others | | |
| | Prepaid expenses | 31.80 | 52.88 |
| | Prepaid rent | 188.39 | 56.84 |
| | | **794.72** | **826.50** |
| **Note 8.1** | **Trade receivables** | | |
| | **Current** | | |
| | *Unsecured* | | |
| | Trade Receivables | 11,516.94 | 10,557.88 |
| | Less: Provision for impairment | (420.67) | (542.86) |
| | | **11,096.27** | **10,015.02** |

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 27.
Amounts given above includes trade receivables from related party. Refer note 25 for related party disclosures.

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 8.2 (a)** | **Cash and cash equivalents** | | |
| | **Balance with banks** | | |
| | In current accounts | 4,039.99 | 1,943.61 |
| | In EEFC accounts | - | 61.37 |
| | | **4,039.99** | **2,004.98** |

The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2019.

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 8.2 (b)** | **Bank balances other than cash and cash equivalent** | | |
| | In deposit accounts due to mature within 12 months but more than 3 months* | - | 250.00 |
| | | **-** | **250.00** |

*Represents lien marked deposit against bank guarantees.

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CONNEQT BUSINESS SOLUTIONS LIMITED

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Notes to the financial statements (continued)**
(All amounts in INR lakhs, except share data and where otherwise stated)

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 8.3** | **Current loans receivables** | | |
| | *Unsecured* | | |
| | Security deposits | 361.13 | 356.04 |
| | Employee loans | 80.22 | 112.51 |
| | Less: Provision for impairment of security deposits and employee loans | (50.86) | (25.00) |
| | | **390.49** | **443.55** |
| **Note 8.4** | **Other financial assets** | | |
| | *Unsecured, considered good* | | |
| | Interest accrued on deposits | 6.82 | 0.87 |
| | Others | 71.83 | 98.77 |
| | Unbilled revenue | 8,632.89 | 6,091.75 |
| | | **8,711.54** | **6,191.39** |
| **Note 9** | **Other current assets** | | |
| | *Unsecured, considered good* | | |
| | *Advances other than capital advances* | | |
| | Advance to suppliers and service providers | 131.13 | 106.42 |
| | Others | | |
| | Prepaid rent | 86.33 | 28.64 |
| | Prepaid expenses | 919.74 | 819.27 |
| | | 1,137.20 | 954.33 |
| | *Unsecured, considered doubtful* | | |
| | Advance to suppliers and service providers | 39.60 | - |
| | Less: Provision for advance to suppliers and service providers | (39.60) | - |
| | | **1,137.20** | **954.33** |

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CONNEQT BUSINESS SOLUTIONS LIMITED

Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)
Notes to the financial statements (continued)
(All amounts in INR lakhs, except share data and where otherwise stated)

Note 10 Share capital

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | No. of Shares | INR in Lakhs | No. of Shares | INR in Lakhs |
| (a) Authorised: | | | | |
| Equity shares of INR 10 each | 15,10,00,000 | 15,100.00 | 15,10,00,000 | 15,100.00 |
| Preference shares of INR 10 each | 4,00,00,000 | 4,000.00 | 4,00,00,000 | 4,000.00 |
| (b) Issued, Subscribed and Fully Paid-up: | | | | |
| Equity shares of INR 10 each | 9,15,08,502 | 9,150.85 | 9,15,08,502 | 9,150.85 |
| | | **9,150.85** | | **9,150.85** |

Notes:
**(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:**

| Particulars | 2018-19 | | 2017-18 | |
|---|---|---|---|---|
| | No. of Shares | INR in Lakhs | No. of Shares | INR in Lakhs |
| Equity Shares | | | | |
| At the beginning of the year | 9,15,08,502 | 9,150.85 | 9,15,08,502 | 9,150.85 |
| Add: Share capital issued | - | - | - | - |
| **At the end of the year** | **9,15,08,502** | **9,150.85** | **9,15,08,502** | **9,150.85** |

**ii. Details of shares held by each shareholders holding more than 5% Shares:**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | No. of Shares | % of Holding | No. of Shares | % of Holding |
| **Equity Shares** | | | | |
| Quess Corp Limited and its nominees | 4,66,69,336 | 51% | 4,66,69,336 | 51% |
| TATA Sons Private Limited and its nominees | 4,48,39,166 | 49% | 4,48,39,166 | 49% |

**iii. Rights, preferences and restrictions relating to each class of share capital:**
The Company has one class of equity shares having a face value of INR 10 each. Each shareholder is eligible for one vote per share held. In the event of liquidation, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion to their shareholdings.

**iv. Details of Bonus shares issued, shares issued for considerations other than cash during the period of five periods immediately preceding the reporting date:**
During the year ended 31 March 2016, 8,108,102 equity shares of INR 10 each fully paid-up and 15,000,000 12.33% cumulative redeemable preference shares of INR 10 each fully paid up were issued to the Shareholders of erstwhile e-Nxt Financials Limited (e-Nxt) pursuant to a scheme of amalgamation between e-Nxt and the Company. Cumulative redeemable preference shares have been classified as liability.

**v. Shares held by holding company and their nominees:**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| *Equity shares of INR 10 each, fully paid up held by* | | | | |
| Quess Corp Limited and its nominees (Holding Company from 27 November 2017) | 4,66,69,336 | 4,666.93 | 4,66,69,336 | 4,666.93 |

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| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 11** | **Other equity** | | |
| | **(i) Retained earnings** | | |
| | Opening balance | 7,004.43 | 6,655.72 |
| | Surplus as per statement of profit and loss | 4,087.47 | 2,308.21 |
| | Transferred to capital redemption reserve from retained earnings on account of redemption of preference shares | - | (1,500.00) |
| | Re-measurement of defined benefit liability/(asset), net of taxes | (112.76) | (129.14) |
| | | **10,979.14** | **7,334.79** |
| | **Appropriations** | | |
| | Dividend distributed to equity shareholders (refer note 11.1 below) | - | (274.53) |
| | Tax on dividend distribution (refer note 11.1 below) | - | (55.83) |
| | | **10,979.14** | **7,004.43** |
| | **(ii) Capital redemption reserve** | | |
| | Opening balance | 1,500.00 | - |
| | Preference shares to be redeemed during the year | - | 1,500.00 |
| | | **1,500.00** | **1,500.00** |
| | | **12,479.14** | **8,504.43** |

**Capital redemption reserve ("CRR")**

The Company had issued 12.33% cumulative redeemable preference shares having face value of INR 10 each and redeemable at INR 12 each. As per the provisions of the Companies Act, 2013, the Company is required to create a capital redemption reserve equivalent to the nominal value of shares redeemed out of the profits of the Company. Such reserve can be created out of the free reserves of the Company. Accordingly, the Company has created CRR out of the retained earnings of earlier years. As per the provisions of the Companies Act, 2013, such CRR can be used for issuing fully paid up bonus shares.

**Note 11.1** **Dividend**

The following dividends were declared and paid by the Company during the year:

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dividend: Nil (31 March 2018: INR 0.03 per equity share) | - | 274.53 |
| Dividend distribution tax (DDT) on dividend to equity share holders | - | 55.83 |
| | - | **330.36** |

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 12** | **Borrowings** | | |
| | **Secured loans** | | |
| | Loan from related party (refer note 1 below) | - | 666.66 |
| | Vehicle loans | | |
| | From banks (refer note 2 below) | 319.44 | 266.01 |
| | | **319.44** | **932.67** |

*Note: Terms of repayment of loan as at Balance Sheet date:*

1) Loan obtained from TATA Capital Financial Services Limited was secured by mortgage of property and was repayable in 36 equal monthly instalments and carried a floating rate of interest which was based on Long-term lending rate (LTLR) less 7.75%. The loan was preclosed during the year. Amount outstanding (including current maturities) as at 31 March 2019 is Nil (31 March 2018: 1,000 lakhs). Also refer note 25.

2) Vehicle loans obtained from HDFC Bank Limited and Tata Capital Limited are repayable in equal monthly instalments over a period of 5 years from the date of availing respective loan. The same is secured by hypothecation of the vehicles financed. Rate of interest is in the range of 9.25% to 11.87% p.a. and number of instalments pending for payments are ranging between 4 - 60 instalments. Amount outstanding (including current maturities) as at 31 March 2019 is INR 450.47 lakhs (31 March 2018: INR 408.33 lakhs). Also refer note 25.

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| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 13** | **Non-current provisions** | | |
| | *Provision for employee benefits* | | |
| | Compensated absences | 1,428.40 | 1,195.09 |
| | | **1,428.40** | **1,195.09** |
| **Note 14** | **Other non-current liabilities** | | |
| | Unearned revenue | 56.09 | 58.70 |
| | Accruals on straight lining of lease rentals | 110.01 | 192.10 |
| | | **166.10** | **250.80** |
| **Note 15.1** | **Borrowings** | | |
| | **Secured loans** | | |
| | **Loans repayable on demand - from Banks** | | |
| | Cash Credits (refer note 1 below) | - | 787.58 |
| | **Other loans** | | |
| | Loan from related party (refer note 2 below) | - | 1,000.00 |
| | | - | **1,787.58** |

1) The Company has taken cash credit facility from Union Bank of India and HDFC Bank Limited.
Cash credit from Union Bank of India amounts to INR 1,800 Lakhs and Non Fund Based limit of INR 2,500 Lakhs, which is secured by hypothecation of book debts and entire movable assets of the Company other than those specifically charged for LC and other lenders. The same is repayable on demand and carries a floating interest rate of 1 year MCLR plus 1.30% which is presently 9.50% p.a.

Cash credit from HDFC amount to INR 2,500 Lakhs and Non Fund Based limit of INR 2,200 Lakhs, which is secured by pari passu first charge on current assets and movable fixed assets of the Company along with Union Bank of India. The same is repayable on demand and carries a floating interest rate of 1 year MCLR plus 20 basis points.

2) A loan obtained from TATA Capital Financial Services Limited was repayable in 12 equal monthly instalments plus interest at floating rate. Rate of interest was in range of 10.5% - 11.3% (31 March 2019: 10.5%). The loan was repaid during the year. Also refer note 25.

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(All amounts in INR lakhs, except share data and where otherwise stated)

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 15.2** | **Trade payables** | | |
| | Dues of micro enterprises and small enterprises (refer note below) | - | - |
| | Dues of creditors other than micro enterprises and small enterprises* | 2,790.65 | 3,244.89 |
| | | **2,790.65** | **3,244.89** |

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in Note 27.

* Includes trade payables to related parties. Refer note 25 for related party disclosures.

**Note:**

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at reporting date has been made in the financial statements based on information received and available with the Company and has been relied upon by the auditors.

Further, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ("the MSMED Act") is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Disclosure required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year: | - | - |
| - Principal | | |
| - Interest | | |
| The amount of interest paid by the Company in terms of Section 16 of the MSMED Act, 2006 along with the amount of the payment made to the supplier beyond the appointed date during the year. | - | - |
| The amount of the payments made to micro and small suppliers beyond the appointed day during each accounting year. | - | - |
| The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006. | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year. | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purposes of disallowance as a deductible expenditure under the MSMED Act, 2006. | - | - |
| | - | - |

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(All amounts in INR lakhs, except share data and where otherwise stated)

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 15.3** | **Other financial liabilities** | | |
| | Current maturities of long-term borrowings | | |
| | -Term loan from related party (refer note 12(1)) | - | 333.34 |
| | -Vehicle loans from bank (refer note 12(2)) | 131.03 | 141.81 |
| | -Vehicle loans from related party (refer note 12(2)) | - | 0.51 |
| | Security deposits | 205.84 | 205.83 |
| | Capital creditors | 183.87 | 327.67 |
| | Employee payables | 8,316.47 | 4,209.87 |
| | Accrued expenses | 5,909.09 | 3,666.98 |
| | Other payables | 108.67 | 110.55 |
| | | **14,854.97** | **8,996.56** |
| **Note 16** | **Current provisions** | | |
| | *Provisions for employee benefits* | | |
| | Compensated absences | 593.54 | 927.99 |
| | Gratuity (Refer note 29) | 541.62 | 624.59 |
| | *Other provisions* | | |
| | Provision for trade and others | 424.17 | 548.17 |
| | | **1,559.33** | **2,100.75** |

**Movements in other provisions**

| | Fringe benefit tax | Provision for trade and others | Total |
|---|---|---|---|
| Balance as on 1 April 2017 | 9.03 | 548.17 | 557.20 |
| Provisions made during the year | - | - | - |
| Provisions utilised during the year | (9.03) | - | (9.03) |
| **Balance as on 31 March 2018** | - | **548.17** | **548.17** |
| Balance as on 1 April 2018 | - | 548.17 | 548.17 |
| Provisions made during the year | - | 20.00 | 20.00 |
| Provisions utilised during the year | - | (144.00) | (144.00) |
| **Balance as on 31 March 2019** | - | **424.17** | **424.17** |

| | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Note 17** | **Other current liabilities** | | |
| | Advance from customers | 64.19 | 14.20 |
| | Unearned revenue | 21.75 | 19.34 |
| | Statutory dues | 2,497.96 | 1,338.59 |
| | Accruals on straight lining of lease rentals | 105.35 | 29.35 |
| | | **2,689.25** | **1,401.48** |

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(All amounts in INR lakhs , except share data and where otherwise stated)

| | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Note 18** | **Revenue from operations** | | |
| | Sale of services | 85,417.07 | 73,927.36 |
| | | **85,417.07** | **73,927.36** |

**(i) Disaggregate revenue information**

The table below presents disaggregated revenues from contracts with customers for the year ended 31 March 2019 and 31 March 2018 by geography.

The Company believe that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

| | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Revenues by Geography** | | |
| - Within India | 82,185.84 | 69,904.26 |
| - Outside India | 3,231.23 | 4,023.10 |
| | **85,417.07** | **73,927.36** |

**(ii) Trade Receivables and Contract Balances**

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables and contract liabilities from contracts with customers.

| **Particulars** | **As at 31 March 2019** |
|---|---|
| Receivables, which are included in 'Trade and other receivables' | 11,096.27 |
| Contract liabilities (Unearned revenue & advance received from customers) | 142.03 |

The contract liabilities primarily relate to the advance consideration received from customer and unearned revenue for which revenue is recognised on completion of contract terms.

The following table discloses the movement in contract liabilities balances for the year ended 31 March 2019

| **Particulars** | **For the year ended 31 March 2019** |
|---|---|
| Balance at the beginning | 92.24 |
| Add : Additions made during the year | 87.83 |
| Less: Revenue recognised during the year | (38.04) |
| **Balance at the end** | **142.03** |

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(All amounts in INR lakhs , except share data and where otherwise stated)

**Note 18 Revenue from operations** (continued)

**(iii) Performance obligations and remaining performance obligations**

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognised as at the end of the reporting year and an explanation as to when the Company expects to recognise these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for
(i) contracts with an original expected duration of one year or less and
(ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

**(iv) Reconciliation of revenue recognised with the contracted price is as follows:**

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Contracted price | 86,024.47 |
| Reductions towards variable consideration components | (607.40) |
| **Revenue recognised** | **85,417.07** |

The reduction towards variable consideration comprises of service level credits.

**(iv) Changes in accounting policies**

Effective 1 April 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. 1 April 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the profit or loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18 and Ind AS 11. The adoption of the standard did not have any material impact to the financial statements of the Company.

As a result the Company has changed its accounting policy for revenue recognition. Refer note 2.5 for revised accounting policy.

| | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Note 19** | **Other income** | | |
| | Interest income on : | | |
| | - Fixed deposits | 31.81 | 8.55 |
| | - Income tax refund | 334.03 | 171.52 |
| | - Others | 78.15 | 45.89 |
| | Rental income (Refer note 33) | 22.24 | 20.55 |
| | Net gain on exchange differences | 10.85 | 22.61 |
| | Profit on sale of property, plant and equipment, net | - | 4.39 |
| | Miscellaneous income | 69.87 | 95.18 |
| | | **546.95** | **368.69** |
| **Note 20** | **Employee benefits expense** | | |
| | Salaries and wages | 52,561.16 | 47,518.88 |
| | Contribution to provident and other funds (Refer note 29) | 4,203.16 | 3,691.23 |
| | Staff welfare expenses | 2,930.03 | 2,054.73 |
| | | **59,694.35** | **53,264.84** |
| **Note 21** | **Finance costs** | | |
| | Interest expense on: | | |
| | - Term loans | 176.15 | 46.64 |
| | - Other credit facilities | 224.10 | 147.25 |
| | - Preference shares liability | - | 397.03 |
| | - Others | 116.66 | - |
| | Bank charges | 49.02 | 53.52 |
| | | **565.93** | **644.44** |
| **Note 22** | **Other operating expenses** | | |
| | Infra and administrative support expenses | 53.46 | 601.60 |
| | Outsourcing services and other contractual costs | 971.17 | 384.83 |
| | Collection charges | 223.58 | 287.52 |
| | | **1,248.21** | **1,273.95** |

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(All amounts in INR lakhs , except share data and where otherwise stated)

| | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Note 23** | **Other expenses** | | |
| | Power and fuel | 1,699.99 | 1,872.00 |
| | Rent (Refer note 33) | 4,527.83 | 3,561.54 |
| | Repairs and maintenance | | |
| | - Buildings | 1,346.33 | 980.77 |
| | - Machineries | 1,003.32 | 970.85 |
| | - Others | 172.10 | 141.97 |
| | Insurance | 83.80 | 52.04 |
| | Rates and taxes | 313.75 | 246.85 |
| | Communication | 258.41 | 374.23 |
| | Travelling and conveyance | 2,114.52 | 1,617.19 |
| | Printing and stationery | 114.05 | 113.41 |
| | Business promotion | 135.47 | 136.24 |
| | Recruitment and training | 1,006.84 | 458.08 |
| | Legal and professional fees (refer note i below) | 1,624.28 | 1,436.13 |
| | Bad debts written off | 288.00 | 398.96 |
| | (Reversals)/ Provisions for doubtful debts, net | (122.19) | 25.19 |
| | Provision for doubtful advances | 65.46 | - |
| | Connectivity expenses | 843.84 | 535.81 |
| | Security charges | 700.15 | 667.04 |
| | Housekeeping charges | 528.93 | 580.12 |
| | Technology helpdesk | 258.12 | 185.43 |
| | Brand equity and brand promotion | - | 45.00 |
| | Expenditure on corporate social responsibility (refer note ii below) | 61.16 | 63.41 |
| | Loss on sale of property, plant and equipment, net | 29.66 | - |
| | Miscellaneous expenses | 12.99 | 15.84 |
| | | **17,066.81** | **14,478.11** |

**(i) Details of payments to auditors (included in legal and professional fees, excluding tax)**

| **Particulars** | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit | 24.00 | 25.50 |
| Tax audit | 2.00 | 2.50 |
| Other attest services, certifications & reviews* | 18.75 | 6.00 |
| Reimbursement of expenses | 1.52 | 1.36 |
| | **46.27** | **35.36** |

*includes 900,000 billed in the current year for the services relating to the financial year 2017-18.

**(ii) Details of expenditure on corporate social responsibility**

| **Particulars** | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Amount required to be spent by the Company during the year | 61.12 | 63.14 |

| **Amount spent during the year ended 31 March 2019** | **Amount paid in cash** | **Yet to be paid in cash** |
|---|---|---|
| (i) Construction/ acquisition of any asset | - | - |
| (ii) On purposes other than (i) above | 61.16 | - |

| **Amount spent during the year ended 31 March 2018** | **Amount paid in cash** | **Yet to be paid in cash** |
|---|---|---|
| (i) Construction/ acquisition of any asset | - | - |
| (ii) On purposes other than (i) above | 63.41 | - |

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(All amounts in INR lakhs, except share data and where otherwise stated)

**Note 24 Income-tax**

The major components of income-tax expense for the year ended 31 March 2019 and 31 March 2018 are:

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Statement of profit and loss account** | | |
| Current income-tax | 1,601.48 | 1,435.74 |
| Deferred tax | (624.92) | (652.28) |
| Provision for Income-tax relating to earlier years | - | (367.19) |
| **Income-tax expense reported in the statement of profit and loss** | **976.56** | **416.27** |
| | | |
| **Other comprehensive income** | | |
| - Deferred tax arising on income and expense recognised in other comprehensive income | (60.56) | (68.34) |
| **Total** | **916.00** | **347.93** |

**The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:**

| | For the year ended | | | |
|---|---|---|---|---|
| | 31-Mar-19 | | 31-Mar-18 | |
| Profit before tax | | 5,064.03 | | 2,724.48 |
| Computed expected tax expense | 34.944% | 1,769.57 | 34.608% | 942.89 |
| **Effect of:** | | | | |
| Adjustments of tax relating to earlier years | - | - | -13.48% | (367.19) |
| Tax incentives under Section 80JJAA of the Income-tax Act, 1961 | -15.56% | (787.98) | -11.52% | (313.96) |
| Adjustments of change in effective tax rate | -0.39% | (19.64) | - | - |
| Non-deductible expenses and others | 0.29% | 14.61 | 5.67% | 154.53 |
| **Total income tax expense** | **19.28%** | **976.56** | **15.28%** | **416.27** |

The tax rates under Income-tax Act, 1961 for the year ended 31 March 2019 is 34.944% (31 March 2018: 34.608%).

**Deferred tax**

Deferred tax relates to the following:

| Deferred tax assets/ (liabilities) | Balance as at 1 April 2017 | Recognised in profit and loss during 2017-18 | Recognised in OCI during 2017-18 | Balance as at 31 March 2018 |
|---|---|---|---|---|
| ***Deferred tax liabilities*** | | | | |
| Property, plant and equipment | (92.54) | 84.87 | - | (7.67) |
| ***Deferred tax assets*** | | | | |
| Employee benefits, net | 827.15 | 412.45 | 68.34 | 1,307.94 |
| Provision for doubtful debts, doubtful loans and contingencies | 330.83 | 5.57 | - | 336.40 |
| Tax incentives under Section 80JJAA of the Income-tax Act, 1961 | - | 313.96 | - | 313.96 |
| Disallowance of expenses for short deduction/ non-deduction of TDS | 143.46 | (143.46) | - | - |
| Rental expense | 88.52 | (18.59) | - | 69.93 |
| Other fiscal differences | 5.46 | (2.52) | - | 2.94 |
| **Net deferred tax assets** | **1,302.88** | **652.28** | **68.34** | **2,023.50** |

| Deferred tax assets/ (liabilities) | Balance as at 1 April 2018 | Recognised in profit and loss during 2018-19 | Recognised in OCI during 2018-19 | Balance as at 31 March 2019 |
|---|---|---|---|---|
| ***Deferred tax liabilities*** | | | | |
| Property, plant and equipment | (7.67) | (20.26) | - | (27.93) |
| ***Deferred tax assets*** | | | | |
| Employee benefits, net | 1,307.94 | 10.64 | 60.56 | 1,379.14 |
| Provision for doubtful debts, doubtful loans and contingencies | 336.40 | 37.50 | - | 373.90 |
| Provision-others | - | 257.34 | - | 257.34 |
| Tax incentives under Section 80JJAA of the Income-tax Act, 1961 | 313.96 | 211.36 | - | 525.32 |
| Disallowance of expenses for short deduction/ non-deduction of TDS | - | 116.01 | - | 116.01 |
| Rental expense | 69.93 | 14.20 | - | 84.13 |
| Other fiscal differences | 2.94 | (1.87) | - | 1.07 |
| **Net deferred tax assets** | **2,023.50** | **624.92** | **60.56** | **2,708.98** |

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(All amounts in INR lakhs, except share data and where otherwise stated)

**Note 25 Related party disclosures**

**i. List of related parties and their relationships as per the Ind AS 24- Related Party Disclosures:**

| Name of the entity | Nature of relationship |
|---|---|
| Tata Sons Limited | Parent till 27 November 2017 and entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Quess Corp Limited | Parent w.e.f. 27 November 2017 |
| Monster.com India Private Limited | Subsidiary of parent company w.e.f. 27 November 2017 |
| Terrier Security Service India Private Limited | Subsidiary of parent company w.e.f. 27 November 2017 |
| TATA Consultancy Services Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TC Travel & Services Limited | Fellow subsidiary till 30 October 2017 |
| TATA Capital Forex Limited (formely known as TT Holdings and Services Limited) | Fellow subsidiary till 30 October 2017 |
| Infiniti Retail Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Capital Financial Services Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Capital Housing Finance Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Housing Development Company Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Value Homes Limited (formely known as Smart Value Homes Limited) | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Communications Limited | Subsidiary of the entity exercising significant influence over the Company w.e.f. 28 May 2018 |
| TATA Communications Payment Solutions Limited | Subsidiary of the entity exercising significant influence over the Company w.e.f. 28 May 2018 |
| TATA Communications Transformation Services Limited | Subsidiary of the entity exercising significant influence over the Company w.e.f. 28 May 2018 |
| Kriday Reality Private Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Unistores Limited (formerly known as Tata Industrial Services Limited) | Fellow subsidiary till 27 November 2017, subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 till 29 March 2018 and joint venture of the entity exercising significant influence over the Company w.e.f. 29 March 2018 |
| TATA Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Tata International Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Capital Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Cleantech Capital Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Securities Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Ardent Properties Private Limited | Fellow subsidiary till 27 November 2017, subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 till 4 December 2017 and joint venture of the entity exercising significant influence over the Company w.e.f. 4 December 2017 |
| TATA Teleservices Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA Teleservices (Maharashtra) Limited. | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA International West Asia DMCC | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TCS e-Serve International Limited | Fellow subsidiary till 27 November 2017 and subsidiary of the entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA AIG General Insurance Company Limited | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| TATA AIA Life Insurance Company Limited | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |

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(All amounts in INR lakhs, except share data and where otherwise stated)

**Note 25 Related party disclosures** (continued)

**i. List of related parties and their relationships as per the Ind AS 24- Related Party Disclosures (continued):**

| | |
|---|---|
| TATA Sky Limited | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Princeton Infrastructure Private Limited | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Sector 113 Gatevida Developers Private Limited (Formerly known as Lemon Tree Land & Developers Private Limited) | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Promont Hilltop Private Limited | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Smart Value Homes (Peenya Project) Private Limited (formely known as Smart Value Homes (Boisar Project) Private Limited) | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| HL Promotors Private Limited | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Sohna City LLP | Joint venture of the parent company till 27 November 2017 and joint venture of entity exercising significant influence over the Company w.e.f. 27 November 2017 |
| Tata Chemicals Limited | Associate of the parent company till 27 November 2017 |
| Tata Global Beverages Limited | Associate of the parent company till 27 November 2017 |
| Tata Motors Limited | Associate of the parent company till 27 November 2017 |
| Tata Steel Limited | Associate of the parent company till 27 November 2017 |
| The Indian Hotels Company Limited | Associate of the parent company till 27 November 2017 |
| The Tata Power Company Limited | Associate of the parent company till 27 November 2017 |
| Voltas Limited | Associate of the parent company till 27 November 2017 |
| Titan Company Limited | Associate of the parent company till 27 November 2017 |
| Mr. Srinivasa Rao K. | Chief Executive Officer and Managing Director (MD) till 27 November 2017 and Chief Executive Officer (CEO) w.e.f. 27th November 2017 till 30 June 2018) |
| Mr. Neeraj Tandon | Chief Executive Officer/ Manager (w.e.f 18 June 2018) |
| Mr. A. S. Krishnan | Chief Financial Officer |
| Mr. V. Sampath | Company Secretary |

**ii. Details of related party transactions**

| Name of the Related Party | Nature of Transaction | Amount of Transactions | |
|---|---|---|---|
| | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
| Quess Corp Limited | Services rendered | 26.68 | - |
| | Services received | 574.87 | - |
| | Reimbursement of expenses - Paid | 434.08 | - |
| | Reimbursement of expenses - received | 10.07 | - |
| Monster.com India Private Limited | Services rendered | 21.92 | - |
| | Services received | 1.50 | - |
| | Reimbursement of expenses - received | 3.70 | - |
| Terrier Security Service India Private Limited | Services received | 543.96 | - |
| TATA Sons Limited | Services rendered | 172.21 | 109.85 |
| | Services received | - | 3.42 |
| | Dividend paid | - | 262.36 |
| | Deposit received | - | 1.00 |
| | Deposit paid | - | 1.00 |
| | Brand equity and brand promotion paid | - | 168.00 |
| | Reimbursement of expenses - received | 1.36 | - |
| TATA Consultancy Services Limited | Services rendered | 1,628.36 | 1,945.97 |
| | Reimbursement of expenses - received | 62.50 | 101.01 |
| Tata AIG General Insurance Company Limited | Services rendered | 444.35 | 280.21 |
| | Services received | 82.99 | 83.57 |
| | Reimbursement of expenses - received | 2.85 | 0.11 |
| | Insurance claims received | 32.20 | 21.12 |
| TATA Sky Limited | Services rendered | 14,235.34 | 13,829.32 |
| | Reimbursement of expenses - received | 778.10 | 813.16 |
| TCS e-Serve International Limited | Services rendered | 86.48 | 129.39 |
| TC Travel & Services Limited | Services rendered | - | 1.32 |
| | Services received | - | 37.87 |
| TATA Capital Forex Limited (formely known as TT Holdings and Services Limited) | Service rendered | - | 1.37 |
| | Purchase of forex | - | 65.55 |

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Notes to the financial statements (continued)
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**Note 25 Related party disclosures** (continued)

**ii. Details of related party transactions (continued)**

| Name of the Related Party | Nature of Transaction | Amount of Transactions | |
|---|---|---|---|
| | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
| Infiniti Retail Limited | Services rendered | 307.24 | 441.46 |
| | Purchase of property, plant and equipment | - | 0.03 |
| | Reimbursement of expenses - received | 0.24 | 0.57 |
| TATA Capital Financial Services Limited | Services rendered | 7,413.78 | 6,799.32 |
| | Services received | 191.54 | 179.85 |
| | Reimbursement of expenses - received | 363.72 | 397.29 |
| | Lease Rentals paid | 739.52 | 832.42 |
| | Term loan availed | - | 2,000.00 |
| | Interest on term loan | 108.11 | 17.13 |
| | Repayment of term loan | 2,000.00 | 339.72 |
| | Purchased of Assets | 40.43 | - |
| TATA Capital Housing Finance Limited | Services rendered | 2,020.53 | 1,539.39 |
| | Reimbursement of expenses - received | 59.78 | 101.40 |
| TATA Housing Development Company Limited | Services rendered | 113.78 | 110.88 |
| | Reimbursement of expenses - received | 1.24 | - |
| TATA Value Homes Limited (formely known as Smart Value Homes Limited) | Services rendered | 10.45 | 15.11 |
| Kriday Reality Private Limited | Services rendered | 12.46 | 2.74 |
| Sector 113 Gatevida Developers Private Limited (Formerly known as Lemon Tree Land & Developers Private Limited) | Services rendered | 19.22 | 1.25 |
| Promont Hilltop Private Limited | Services rendered | 6.58 | 0.25 |
| Smart Value Homes (Peenya Project) Private Limited (formely known as Smart Value Homes (Boisar Project) Private Limited) | Services rendered | 3.75 | 4.40 |
| Princeton Infrastructure Private Limited | Services rendered | 4.88 | - |
| HL Promotors Pvt Ltd | Services rendered | 1.23 | 0.32 |
| TATA Unistores Limited (formerly known as Tata Industrial Services Limited) | Services rendered | 1,509.98 | 952.31 |
| | Reimbursement of expenses - received | 23.42 | 31.14 |
| Tata Limited | Services rendered | 26.87 | 22.70 |
| | Reimbursement of expenses - received | 2.04 | 2.13 |
| Tata Capital Limited | Services rendered | 3.37 | 4.55 |
| | Services received | 486.82 | 436.92 |
| | Dividend paid | - | 183.94 |
| | Preferential share redemption | - | 1,500.00 |
| | Payment of deposit | 9.37 | - |
| | Premium on preferential share redeemed | - | 300.04 |
| Sohna City LLP | Services rendered | - | 0.04 |
| Tata Cleantech Capital Limited | Services rendered | 12.90 | 16.97 |
| | Reimbursement of expenses - received | 0.19 | 0.56 |
| Tata Securities Limited | Services rendered | 4.52 | 9.35 |
| | Reimbursement of expenses - received | 0.05 | 0.56 |
| Ardent Properties Pvt Ltd | Services rendered | 26.73 | 2.78 |
| Tata Teleservices Limited | Services rendered | 80.12 | 747.56 |
| | Services received | 21.48 | 48.28 |
| | Reimbursement of expenses - received | 16.47 | 50.33 |
| | Reimbursement of expenses- paid | 132.48 | 223.81 |
| Tata Teleservices (Maharashtra) Limited | Services rendered | 15.21 | 252.64 |
| | Services received | 84.50 | - |
| | Reimbursement of expenses - received | - | 375.17 |
| | Reimbursement of expenses- paid | 500.65 | 3.90 |
| Tata International West Asia DMCC | Services received | 7.50 | 47.79 |
| Tata International Limited | Services rendered | 16.06 | 7.05 |
| | Reimbursement of expenses - received | - | 1.25 |
| Tata Communications Limited | Services rendered | 488.87 | - |
| | Services received | 393.59 | - |
| | Reimbursement of expenses - received | 28.85 | - |
| | Reimbursement of expenses - paid | 16.26 | - |
| | Rental Income Received | 22.24 | - |

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**Note 25 Related party disclosures** (continued)

**ii. Details of related party transactions (continued)**

| Name of the Related Party | Nature of Transaction | Amount of Transactions | |
|---|---|---|---|
| | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
| Tata Communications Payment Solutions Limited | Reimbursement of expenses - received | 0.15 | - |
| Tata Communications Transformation Services Limited | Services rendered | 20.03 | - |
| Tata Motors Limited | Services rendered | - | 5,418.44 |
| | Reimbursement of expenses - received | - | 262.48 |
| Tata Chemicals Limited | Services rendered | - | 176.92 |
| | Reimbursement of expenses - received | - | 4.01 |
| Tata Global Beverages Limited | Services Rendered | - | 39.79 |
| | Reimbursement of expenses - received | - | 0.54 |
| Tata Steel Limited | Services rendered | - | 385.88 |
| | Services received | - | 136.88 |
| | Reimbursement of expenses - received | - | 6.75 |
| The Indian Hotels Company Limited | Services received | - | 0.51 |
| The Tata Power Company Limited | Services rendered | - | 703.48 |
| Voltas Limited | Services rendered | - | 831.13 |
| | Services received | - | 19.66 |
| | Reimbursement of expenses - received | - | 15.28 |
| | Purchase of property, plant and equipment | - | 28.56 |
| Titan Company Limited | Services rendered | - | 381.94 |
| | Reimbursement of expenses - received | - | 50.87 |
| Key Management Personnel: | | | |
| (i) Mr. Srinivas rao K | Remuneration | 74.56 | 223.58 |
| (ii) Mr. A S Krishnan | Remuneration | 63.97 | 61.26 |
| (iii) Mr. V Sampath | Remuneration | 40.40 | 49.45 |
| (iv) Mr. Neeraj Tandon^ | Remuneration | 101.73 | - |

^ Remuneration paid to Mr. Neeraj Tandon is with in the limits of Section 197 of the Companies Act, 2013.

**Break up for Compensation to key managerial personnel**

| | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Short-term employee benefits* | 265.52 | 314.27 |
| Post-employment benefit* | 15.14 | 20.02 |
| | 280.66 | 334.29 |

*As the future liabilities for gratuity and leave encashment are provided on an actuarial basis and payment of insurance costs are made for the Company as a whole, the amount pertaining to the key management personnel is not ascertainable, therefore, not included above.

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**Note 25 Related party disclosures** (continued)

**iii. Balances due to or due from related parties as on the balance sheet date**

| Name of the Related Party | Nature of receivable or (payable) | Balance as at | |
|---|---|---|---|
| | | 31 March 2019 | 31 March 2018 |
| Quess Corp Limited | Trade receivables | 8.89 | - |
| | Trade payables | 594.14 | - |
| Monster.com India Private Limited | Trade receivables | 30.23 | - |
| Terrier Security Services India Private Limited | Trade payables | 165.16 | - |
| TATA Sons Limited | Trade receivables | 34.74 | 47.77 |
| | Other financial liabilities | - | 45.00 |
| TATA Consultancy Services Limited | Trade receivables | 298.90 | 539.96 |
| Tata AIG General Insurance Company Limited | Trade receivables | 99.52 | 119.55 |
| | Current loans receivables | 10.00 | 10.00 |
| TATA Sky Limited | Trade receivables | 2,595.74 | 1,557.84 |
| Tata e-Serve International Limited | Trade receivables | - | 148.75 |
| Infiniti Retail Limited | Trade receivables | 36.47 | 112.22 |
| | Advance to supplier | 2.00 | - |
| TATA Capital Financial Services Limited | Trade receivables | 2,063.23 | 2,146.18 |
| | Trade payables | 161.65 | 119.92 |
| | Borrowings | - | 2,000.00 |
| | Current loans receivables | 37.16 | 37.16 |
| TATA Capital Housing Finance Limited | Trade receivables | 428.75 | 397.61 |
| TATA Housing Development Company Limited | Trade receivables | 92.17 | 74.20 |
| TATA Value Homes Limited (formely known as Smart Value Homes Limited) | Trade receivables | 1.32 | 14.88 |
| Kriday Reality Private Limited | Trade receivables | 7.23 | 2.08 |
| Sector 113 Gatevida Developers Private Limited (Formerly known as Lemon Tree Land & Developer Private Limited) | Trade receivables | 9.92 | 1.18 |
| Promont Hilltop Private Limited | Trade receivables | 3.23 | 0.30 |
| Smart Value Homes (Peenya Project) Private Limited (formely known as Smart Value Homes (Boisar Project) Private Limited) | Trade receivables | 1.38 | 3.39 |
| HL Promotors Pvt Ltd | Trade receivables | 0.21 | 0.38 |
| Princeton Infrastructure Private Limited | Trade receivables | 4.62 | - |
| TATA Unistores Limited (formerly known as Tata Industrial Services Limited) | Trade receivables | 284.63 | 235.68 |
| Tata Limited | Trade receivables | 7.04 | 7.37 |
| Tata Capital Limited | Trade receivables | 1.56 | 5.06 |
| | Trade payables | 236.83 | 86.96 |
| | Current loans receivables | 9.37 | - |
| Tata Communications Limited | Trade receivables | 213.15 | - |
| | Trade payables | 41.38 | - |
| Tata Communications Payment Solutions Limited | Trade receivables | 0.03 | - |
| Tata Communications Transformation Services Limited | Trade receivables | 32.29 | - |
| Tata Cleantech Capital Limited | Trade receivables | - | 6.40 |
| | Advance from customer | 1.11 | - |
| Tata Securities Limited | Trade receivables | 2.74 | 5.55 |
| Ardent Properties Pvt Ltd | Trade receivables | 21.94 | 0.34 |
| Tata Teleservices Limited | Trade receivables | 56.24 | 395.84 |
| | Advance to supplier | 20.92 | 20.92 |
| Tata Teleservices (Maharashtra) Limited | Trade receivables | 3.73 | 119.79 |
| | Trade payables | 5.63 | - |
| Tata International Limited | Trade receivables | 3.27 | 6.71 |

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**Note 26 Financial instruments**

The carrying value and fair value of financial instruments by categories as at 31 March 2019 is as follows:

| Particulars | Carrying value | | Fair value |
|---|---|---|---|
| | 31 March 2019 | 31 March 2018 | 'Level |
| **Financial assets** | | | |
| **Financial assets measured at amortised cost** | | | |
| Non-current loans receivables | 1,640.92 | 1,461.19 | - |
| Trade receivable | 11,096.27 | 10,015.02 | - |
| Other financial assets (current and non-current) | 8,836.54 | 6,191.39 | - |
| Current loans receivables | 390.49 | 443.55 | - |
| Cash and cash equivalents | 4,039.99 | 2,004.98 | - |
| Bank balances other than cash and cash equivalent | - | 250.00 | - |
| **Total assets** | **26,004.21** | **20,366.13** | - |
| **Financial liabilities** | | | |
| **Financial liabilities not measured at fair value** | | | |
| Borrowings including current maturities (current and non-current) | 450.47 | 3,195.91 | - |
| Trade payables | 2,790.65 | 3,244.89 | - |
| Other financial liabilities | 14,723.94 | 8,520.91 | - |
| **Total liabilities** | **17,965.06** | **14,961.71** | - |

**Fair value hierarchy**

**Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
**Level 3** - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The management assessed that the carrying amounts of financial assets and liabilities recognised in the financial statements approximate their fair values and hence no further details about the fair value measurements are given.

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**Note 27 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:
a) Credit risk ;
b) Liquidity risk ; and
c) Market risk

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

**a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

Credit risk on cash and cash equivalents and other bank balances and bank deposits is limited as the Company generally invests in deposits with banks with high credit ratings assigned by domestic credit rating agencies. The loan represents security deposits/ loans given to suppliers, employees and others. The credit risk associated with such deposits/ loans is relatively low.

***Trade receivables and unbilled revenue***

The Company's exposure to credit risk is influenced mainly by its customers. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to two months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

**Expected credit loss assessment for customers as at 31 March 2019 and 31 March 2018 are as follows:**

The Company uses an allowance matrix to measure the expected credit loss of trade receivables from customers and unbilled revenue.

Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 730 days past due. Loss rates are based on actual credit loss experience over the last eight quarters.

The movement in the allowance for impairment in respect of trade receivables is as follows:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Balance as at the beginning of the year** | 542.86 | 517.67 |
| Loss allowances (reversed)/ recognised during the year, net | (122.19) | 25.19 |
| **Balance as at the end of the year** | **420.67** | **542.86** |

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**Note 27 Financial risk management** (continued)

**b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually, the excess of funds is invested in fixed deposits and other financial instruments. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018:

**As at 31 March 2019**

| Particulars | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings* | 450.47 | 131.03 | 117.59 | 201.85 | - |
| Trade payables | 2,790.65 | 2,790.65 | - | - | - |
| Other financial liabilities | 14,723.94 | 14,723.94 | - | - | - |

* includes current maturities of long-term borrowings

**As at 31 March 2018**

| Particulars | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings* | 3,195.91 | 2,263.24 | 109.60 | 823.07 | - |
| Trade payables | 3,244.89 | 3,244.89 | - | - | - |
| Other financial liabilities | 8,520.91 | 8,520.91 | - | - | - |

* includes current maturities of long-term borrowings

**c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company borrowing as at 31 March 2019 and 31 March 2018 comprises only loans at fixed interest rates, which do not expose it to significant interest rate risk.

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**Note 27 Financial risk management** (continued)

***Currency risk***

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company.

**Exposure to currency risk**

The summary quantitative data about the Company's exposure to currency risk as reported to management is as follows:

| Particulars | Currency | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|---|
| | | Foreign currency* | INR | Foreign currency* | INR |
| Trade receivables | USD | 1,68,888.79 | 116.80 | - | - |
| | GBP | 97,753.50 | 88.50 | 3,14,448.00 | 290.67 |
| | AED | 14,31,282.00 | 269.51 | 4,09,485.00 | 72.58 |
| | QAR | 2,632.30 | 0.50 | 16,223.00 | 2.86 |

*Foreign currency values are in actuals and not in lakhs.

The following significant exchange rates have been applied

| Currency | Year end spot rates | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| USD/ INR | 69.16 | - |
| GBP/ INR | 90.53 | 92.44 |
| AED/ INR | 18.83 | 17.72 |
| QAR/ INR | 19.00 | 17.63 |

**Sensitivity analysis**

The profit or loss is sensitive to foreign exchange gain/ loss as a result of changes in foreign exchange rates.

| | Impact on profit before tax | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Foreign exchange rate - Increases by 5% | 23.77 | 18.31 |
| Foreign exchange rate - Decreases by 5% | (23.77) | (18.31) |

**Note 28 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company's adjusted net debt to equity ratio were as follows:

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total external liabilities | 23,808.14 | 19,909.82 |
| Less: Cash and bank balances | 4,164.99 | 2,254.98 |
| **Adjusted net debt (borrowings net of cash and bank balances)** | **19,643.15** | **17,654.84** |
| **Total equity** | **21,629.99** | **17,655.28** |
| **Adjusted net debt to equity ratio** | **0.91** | **0.99** |

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**Note 29 Assets and liabilities relating to employee benefits**

**i. Defined contribution plans**

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and employee state insurance, which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognised as an expense towards contribution to provident fund and employee state insurance for the year is included in "contribution to provident and other funds" (refer note 20 and 32).

**ii. Defined benefit plans**

The Company provides its employees with the benefits under a defined benefit plan, referred to as the "Gratuity Plan". The Gratuity Plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service (service of six months and above is rounded off as one year) at the time of retirement/exit.

**Reconciliation of the net defined benefit asset/ liability**

The following table sets out the funded status of the gratuity plans and the amounts recognised in the Company's financial statements as at 31 March 2019 and 31 March 2018

*Reconciliation of present value of defined benefit obligation*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| Obligation at the beginning of the year | 1,097.07 | 855.26 |
| Current service cost | 222.02 | 174.92 |
| Interest cost | 82.28 | 57.90 |
| Liabilities assumed on acquisition/ (settled on divestiture) | - | - |
| Benefit paid | (163.42) | (165.35) |
| Actuarial loss- experience | 50.67 | 75.00 |
| Actuarial loss- demographic assumptions | - | 9.26 |
| Actuarial loss- financial assumptions | 87.19 | 90.08 |
| **Obligation at end of the year** | **1,375.81** | **1,097.07** |
| | | |
| ***Change in plan assets*** | | |
| Plan assets at beginning of the year, at fair value | 472.48 | 619.07 |
| Interest income on plan assets | 35.44 | 41.90 |
| Re-measurement- actuarial gain/(loss) | (35.46) | (23.14) |
| Contributions | 525.15 | - |
| Benefits paid | (163.42) | (165.35) |
| **Plans assets at end of year, at fair value** | **834.19** | **472.48** |

**Reconciliation of present value of the obligation and the fair value of the plan assets**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Fair value of plan assets at the end of the year | 834.19 | 472.48 |
| Present value of the defined benefit obligations at the end of the year | (1,375.81) | (1,097.07) |
| Liability recognised in the balance sheet | (541.62) | (624.59) |

**Expense recognised in statement of profit and loss**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Service cost | 222.02 | 174.92 |
| Net interest on net defined benefit liability/(asset) | 46.84 | 16.00 |
| **Total** | **268.86** | **190.92** |

**Expenses recognised in Other comprehensive income (OCI)**

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Re-measurement- actuarial (gain)/loss in regard with defined benefit obligation | 137.86 | 174.34 |
| Re-measurement- actuarial (gain)/loss in regard with plan assets | 35.46 | 23.14 |
| **Total** | **173.32** | **197.48** |

**Plan assets**

Plan assets comprise of the following:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Funds managed by Life Insurance Corporation of India | 834.19 | 472.48 |
| | **834.19** | **472.48** |

The Company makes annual contribution to the life insurance corporation ('LIC') of an amount advised by LIC. The Company was not informed by LIC of the investments made by them or the breakup of the plan assets in to various type of investments.

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**Note 29 Assets and liabilities relating to employee benefits** (continued)

**Actuarial assumptions**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Expected return on plan assets | 7.07% | 7.50% |
| Discount rate | 7.07% | 7.50% |
| Salary escalation rate | 8.30% | 8.30% |
| Attrition rate | Service <5 40.8%<br>Service >=5 2% | Service <5 40.8%<br>Service >=5 2% |
| Retirement age | 58 | 58 |

**Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Future salary escalation rate:** The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market.

**Expected rate of return on plan assets:** The expected return on plan assets is based on expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| **Gratuity Plan** | | | | |
| Discount rate (1 % movement) | (191.40) | 236.36 | (152.03) | 187.77 |
| Future salary growth (1 % movement) | 231.01 | (191.03) | 184.33 | (152.28) |
| Withdrawal rate (1% movement) | (33.93) | 38.78 | (21.43) | 24.11 |

**Maturity analysis of the benefit payments: from the fund**

Projected benefits payable in future years from the date of reporting:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| 1st Following year | 44.94 | 40.88 |
| 2nd Following year | 36.59 | 19.88 |
| 3rd Following year | 28.00 | 31.41 |
| 4th Following year | 46.77 | 37.74 |
| 5th Following year | 53.67 | 37.24 |
| Sum of years 6 to 10 | 298.43 | 234.90 |
| Sum of years 11 and above | 4,615.81 | 4,077.73 |

**Note 30 Segment Reporting**

**a. Reportable Segment:**

The operating segment of the Company has been identified as "Business Process Outsourcing Services includes Contact Centre Services" as the Chief Operating Decision Maker reviews the business performance at an overall Company level as one segment.

**b. Geographical information:**

Geographic segment of the company are services rendered within India and export of services to outside India.

| | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Segment revenue** | | |
| - Within India | 82,185.84 | 69,904.26 |
| - Outside India | 3,231.23 | 4,023.10 |
| **Total** | **85,417.07** | **73,927.36** |
| | | |
| **Segment assets (Non-current assets)*** | | |
| - Within India | 11,796.53 | 10,272.10 |
| - Outside India | - | - |
| **Total** | **11,796.53** | **10,272.10** |

** Segment assets excludes non-current tax assets and deferred tax assets, net*

**c. Information about major customer**

Revenue from one of the Company's Business processing outsourcing customer is INR 15,399.93 Lacs (31 March 2018: INR 13,829.32 Lacs) which is more than 18.02 % (31 March 2018: 18.71%) of the Company's total revenue.

**Note 31 Earnings per share (EPS)**

| | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| i. Nominal value of equity shares (INR per share) | 10.00 | 10.00 |
| ii. Profit attributable to equity shareholders | 4,087.47 | 2,308.21 |
| iii. Weighted average number of equity shares | 9,15,08,502 | 9,15,08,502 |
| **Basic and diluted EPS (in INR)** | **4.47** | **2.52** |

The Company did not have any potentially dilutive equity shares outstanding at anytime during the current year and previous year.

**Note 32 Transfer pricing**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the domestic and international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by 30 November 2019, as required by law. The Management is of the opinion that its domestic and international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

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CONNEQT BUSINESS SOLUTIONS LIMITED

**Conneqt Business Solutions Limited (formerly known as Tata Business Support Services Limited)**
**Notes to the financial statements (continued)**
(All amounts in INR lakhs, except share data and where otherwise stated)

**Note 33 Operating leases**

A. Leases as lessee

The Company has taken various machinery and office facilities under cancellable and non-cancellable operating lease agreements. Total rental expense incurred during the year is INR 4,527.83 Lakhs (31 March 2018: INR 3,561.54 Lakhs) inclusive of maintenance and other charges, which has been disclosed as rent.

Future minimum lease payments
At 31 March, the future minimum lease payments to be made under non- cancellable operating leases are as follow:

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Payable in less than one year | 1,941.95 | 746.31 |
| Payable between one and five years | 5,009.04 | 494.60 |
| Payable after more than five year | - | - |
| | 6,950.99 | 1240.91 |

B. Leases as lessor

Sub-letting income in respect of cancellable leases recognised in the statement of profit and loss for the year ended 31 March 2019 is INR 22.24 Lakhs (31 March 18: INR 20.55 Lakhs) included in 'Other Income'.

**Note 34 Contingent liabilities**

| Claims against Company not acknowledged as Debt | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| i. Service tax * | 4,968.98 | 4,996.34 |
| ii. Provident fund | - | 348.48 |
| iii. Other claims | 292.34 | 265.80 |
| | 5,261.32 | 5,610.62 |

* The Company has received show cause notice from Directorate General of Central Excise Intelligence dated April 19, 2017 for an amount of INR 4,433.35 lakhs plus interest and penalty regarding availment of ineligible cenvat credit on services provided to the Company by the dealers of automobile companies. The Company has filed a response on 11 October 2017. The matter is pending before Central Excise and Service Tax Appellate Tribunal, Hyderabad.
The Management is of the view that the above claims are being contested by the Company and no provision is required to be made at this stage including consequential interest and penalties, if any, pending outcome of the matter.
i) The Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business including litigation before various tax authorities. The amounts included above represent the best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interests and has been advised that it has strong legal positions against such dispute. The Company's Management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material and adverse effect on the Company's results of operations or financial conditions. The Company has accrued appropriate provision wherever required.
ii) On 28th February 2019,the Hon'be Supreme Court of India has delivered a judgement clarifying the principles that need to be applied in determining the components of salaries and wages on which Provident Fund (PF) contributions need to be made by establishments. Basis the judgement, the company has re-computed its liability towards PF for the month of March 2019 and has made a provision in the books of account. In respect of the earlier periods/years, the Company has been legally advised that there are numerous interpretative challenges on the application of the judgement retrospectively. Based on such legal advice, the management believes that it is impractical at this stage to reliably measure the impact (if any). Necessary adjustments, if any, will be made as more clarity emerges on the subject.

**Note 35 Capital commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for is INR 96.01 Lakhs (31 March 2018: INR 110.26 Lakhs) [Net of Capital advances of INR 5.45 Lakhs (31 March 2018: INR 5.97 Lakhs)].

**Note 36 Subsequent event**

On 17 April 2019, the Company has entered into agreements to acquire a majority stake (61.35%) comprising of 9,349,095 no of equity shares of INR 10 each fully paid-up for a total consideration of INR 27,143.75 Lakhs from promoters and members of the promoter group of Allsec Technologies Limited whose equity shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Allsec Technologies Limited is a global company with considerable expertise in providing business process solutions across various industry verticals. Subsequently, in accordance with Regulation 3(1) and 4 of the Securities and Exchange Board of India (Substantial acquisition of shares and takeover) Regulations, 2011, Company will make an open offer to purchase at least 26% of the share capital held by public shareholders of Allsec Technologies Limited.

The acquisition is proposed to be funded by way of Equity and Debt. Accordingly, Company has proposed to issue 57,955,385 Equity Shares INR 10 each fully paid-up, at premium of INR 23.22 per equity share to Quess Corp Limited (the parent of the company). Further, it is also proposed to make an offer of 10% Unsecured Compulsorily Convertible Debentures ("CCDs") not exceeding and upto INR 21,000.00 Lakhs to Quess Corp Limited.

All of the aforementioned transactions are subject to conditions precedent and applicable approvals, as deemed necessary.

*for* **B S R & Associates LLP**
*Chartered Accountants*
ICAI Firm's Registration No.: 116231W/ W- 100024

**Hemant Maheshwari**
*Partner*
Membership No.: 096537

Place: Bengaluru
Date: 8 May 2019

*for* **and on behalf of the Board of Directors**
**Conneqt Business Solutions Limited**
CIN: U64200TG1995PLC044060

**Subrata Kumar Nag**
*Chairman*
DIN: 02234000

**Srinivasan Guruprasad**
*Director*
DIN: 07596207

**Neeraj Tandon**
*Chief Executive Officer*

**A.S. Krishnan**
*Chief Financial Officer*

**V. Sampath**
*Company Secretary*

Place: Bengaluru
Date: 8 May 2019

**INDEPENDENT AUDITOR'S REPORT**

To,
The Members
**DependoLogistics Solutions Private Limited**

**Report on the Audit of the Standalone Financial Statements**

**Opinion**

We have audited the accompanyingstandalone financial statements of **Dependo Logistics Solutions Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and loss and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS



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Email : Info@vscaglobal.com
web : www.vscaglobal.com

**Information other than the Standalone Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that, an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.



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2) As required by Section 143 (3) of the Act, we report that:
   a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant Rule 7 of the Companies (Accounts) Rules, 2014;

   e. on the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

   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, 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 and accordingly there is no impact on its financial position;

      ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

      iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date:May 09, 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **DependoLogistics Solutions private limited**of even date)

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

b. The company has a regular program of physical verification of its fixed assets by which all the fixed assets are verified by the management on an annual basis. In our opinion, the periodicity is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification;

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable property as at March 31, 2019;

ii. The Company's operations does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans and investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable.

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities.As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable;

b. According to the information and explanations given to us, there are no statutory dues including provident fund, employee state insurance, dues of income-tax, goods and service tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute;

viii. The company does not have any loans or borrowings from any financial institution, banks, government or debenture holder during the year. Consequently, comment on clause (viii) of the Order is not applicable;



VASAN & SAMPATH LLP BANGALORE INDIA

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act, is not applicable;

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable;

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date:May 09, 2019

**ANNEXURE B - to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Dependo Logistics Solutions Private Limited** of even date)

**Report on the Internal Financial Controls 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 **Dependo Solutions Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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[1] and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone 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.

[1]Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').



BANGALORE INDIA

**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 authorizations of management and directors of the Company; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP * CHARTERED ACCOUNTANTS * BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date:May 09, 2019

**Dependo Logistics Solutions Private Limited**
**Balance Sheet**

*(Amount in Rs)*

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 6,912,769 | 1,510,426 |
| Intangible assets | 3 | 1,627,382 | 1,666,667 |
| Income tax assets (net) | 4 | 11,334,703 | 4,613,229 |
| | | **19,874,854** | **7,790,321** |
| **Current Assets** | | | |
| **Financial assets** | | | |
| Trade and other receivables | 5 | 47,094,997 | 9,537,403 |
| Cash and cash equivalents | 6 | 2,312,036 | 2,201,337 |
| Bank balance other than above | 7 | 150,000 | 150,000 |
| Current loans | 8 | 7,119,200 | 2,704,000 |
| Other financial assets | 9 | 15,622 | 8,168 |
| Unbilled revenue | 10 | 40,686,776 | 33,615,129 |
| Other current assets | 11 | 2,791,023 | 272,790 |
| | | **100,169,654** | **48,488,828** |
| **Total Assets** | | **120,044,508** | **56,279,149** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 12 | 100,000 | 100,000 |
| Other equity | 13 | (35,918,392) | 1,850,016 |
| **Total Equity** | | **(35,818,392)** | **1,950,016** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 14 | 159,874 | 159,874 |
| Non- current provisions | 15 | 111,525 | - |
| | | **271,399** | **159,874** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| Borrowings | 16 | 110,600,017 | - |
| Trade payables | 17 | 15,629,594 | 32,138,008 |
| Other financial liabilities | 18 | 22,182,226 | 21,712,878 |
| Other current liabilities | 19 | 7,090,792 | 318,375 |
| Current provisions | 20 | 88,871 | - |
| | | **155,591,501** | **54,169,260** |
| **Total Equity and Liabilites** | | **120,044,508** | **56,279,149** |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

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**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**Dependo Logistics Solutions Private Limited**

**Subrata Kumar Nag**
Director
DIN: 02234000

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 9 May 2019

**Dependo Logistics Solutions Private Limited**
**Statement of profit and loss**

*(Amount in Rs)*

| | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 21 | 603,282,314 | 301,405,592 |
| Other income | 22 | 7,454 | 8,168 |
| **Total Income** | | **603,289,768** | **301,413,760** |
| **Expenses** | | | |
| Employee benefits expense | 23 | 6,636,307 | - |
| Finance costs | 24 | 3,777,797 | 849,850 |
| Depreciation and amortisation expense | 25 | 3,604,381 | 1,124,953 |
| Other expenses | 26 | 627,039,690 | 296,652,767 |
| **Total expenses** | | **641,058,175** | **298,627,570** |
| **Profit/(loss) before tax** | | **(37,768,407)** | **2,786,190** |
| **Tax expense** | 4 | | |
| Current tax | | - | (700,000) |
| Adjustments of tax relating to earlier periods | | - | - |
| Deferred tax | | - | (159,874) |
| **Profit/(loss) for the year** | | **(37,768,407)** | **1,926,316** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains/ (losses) on defined benefit plans | | - | - |
| Other comprehensive income for the period | | - | - |
| Deferred tax | | - | - |
| **Other comprehensive income for the year** | | **-** | **-** |
| **Total comprehensive income for the year** | | **(37,768,407)** | **1,926,316** |
| **Earnings per equity share (face value of Rs 10 each)** | 30 | | |
| Basic | | (3,776.84) | 192.63 |
| Diluted | | (3,776.84) | 192.63 |

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No.: 004542S/ S200070

VASAN & SAMPATH LLP • CHARTERED ACCOUNTANTS • BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of the Board of Directors of
**Dependo Logistics Solutions Private Limited**

**Subrata Kumar Nag**
Director
DIN : 02234000

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 9 May 2019

**Dependo Logistics Solutions Private Limited**
**Statement of Changes in Equity for the year ended 31 March 2019**

*(Amount in Rs)*

| Particulars | Share Capital | Other equity | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|
| | | Retained Earnings | General Reserve | |
| **Balance as at 1 April 2017** | 100,000 | (76,300) | - | 23,700 |
| Add: Increase in Share Capital | - | - | - | - |
| Less: Profit for the year | - | 1,926,316 | - | 1,926,316 |
| **Balance as of 31 March 2018** | **100,000** | **1,850,016** | - | **1,950,016** |
| | | | | |
| **Balance as at 1 April 2018** | **100,000** | **1,850,016** | - | **1,950,016** |
| Add: Loss for the year | - | **(37,768,407)** | - | **(37,768,407)** |
| Add: Other comprehensive income for the year | - | - | - | - |
| Remeasurement gain/ (loss) on defined benefit plan | - | - | - | - |
| **Balance as at 31 March 2019** | **100,000** | **(35,918,392)** | - | **(35,818,392)** |

As per our report of even date attached
**for Vasan and Sampath LLP**
**Chartered Accountants**
Firm's Registration No: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of Board of Directors of
**Dependo Logistics Solutions Private Limited**

**Subrata Kumar Nag**
Director
DIN: 02234000

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 9 May 2019

**Dependo Logistics Solutions Private Limited**
**Statement of Cash Flows**

*(Amount in Rs)*

| | For the Year Ended 31 March 2019 | For the Year Ended 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit / (Loss) for the year | (37,768,407) | 1,926,316 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 3,604,381 | 1,124,953 |
| Finance costs | 3,777,797 | 849,850 |
| **Operating cash flows before working capital changes** | **(30,386,229)** | **3,901,119** |
| **Working capital adjustments:** | | |
| **Changes in:** | | |
| Loans, other financial assets and other assets | (6,940,887) | (2,876,790) |
| Trade receivables and unbilled revenue | (44,629,240) | (43,160,701) |
| Trade payables and other financial liabilities | (16,039,065) | 32,138,008 |
| Other liabilities and provisions | 6,972,813 | 22,682,644 |
| **Cash generated from operations** | **(91,022,608)** | **12,684,280** |
| Direct taxes paid, net of refund | (6,721,475) | (5,153,355) |
| **Net cash (used in) / provided by operating activities (A)** | **(97,744,083)** | **7,530,926** |
| | | |
| **Cash flows from investing activities** | | |
| Expenditure on property, plant and equipment and intangibles, net of sale proceeds | (8,967,439) | (1,802,046) |
| Bank deposits (having original maturity of more than three months) | - | (150,000) |
| **Net cash (used in) investing activities (B)** | **(8,967,439)** | **(1,952,046)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from/ (repayment of) borrowings | 110,600,017 | (3,327,873) |
| Finance costs paid | (3,777,797) | (849,850) |
| **Net cash (used in) / provided by financing activities (C)** | **106,822,220** | **(4,177,723)** |
| | | |
| Net increase in cash and cash equivalents (A+B+C) | 110,699 | 1,401,156 |
| Cash and cash equivalents at the beginning of the year | 2,201,337 | **800,181** |
| **Cash and cash equivalents at the end of the year (refer note 6)** | **2,312,036** | **2,201,337** |

As per our report of even date attached
**for Vasan and Sampath LLP**
Chartered Accountants
Firm's Registration No: 004542S/S200070

VASAN & SAMPATH LLP · CHARTERED ACCOUNTANTS · BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of Board of Directors of
**Dependo Logistics Solutions Private Limited**

**Subrata Kumar Nag**
Director
DIN: 02234000

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 9 May 2019

**3 Property, plant and equipment**

| Particulars | Furniture and fixtures | Office equipment | Plant and machinery | Computer equipment | Total |
|---|---|---|---|---|---|
| **Gross block** | | | | | |
| **As at 1 April 2017** | - | - | - | - | - |
| Additions during the year | 412,221 | 535,311 | 28,438 | 826,077 | 1,802,046 |
| Disposals for the year | | | | | - |
| **As at 31 March 2018** | **412,221** | **535,311** | **28,438** | **826,077** | **1,802,046** |
| Additions during the year | 2,655,676 | 4,250,879 | 135,122 | 959,662 | 8,001,339 |
| Disposals for the year | | | | | - |
| **As at 31 March 2019** | **3,067,897** | **4,786,190** | **163,560** | **1,785,739** | **9,803,385** |
| **Accumulated depreciation** | | | | | - |
| **As at 1 April 2017** | - | - | - | - | - |
| Charge for the year | 73,122 | 104,759 | 6,127 | 107,612 | 291,620 |
| Disposals during the year | - | - | - | - | - |
| **As at 31 March 2018** | **73,122** | **104,759** | **6,127** | **107,612** | **291,620** |
| Charge for the year | 846,376 | 1,159,927 | 30,082 | 562,611 | 2,598,996 |
| Disposals during the year | | | | | - |
| **As at 31 March 2019** | **919,498** | **1,264,686** | **36,209** | **670,223** | **2,890,616** |
| **Net Block :** | | | | | |
| **As at 31 March 2019** | **2,148,399** | **3,521,504** | **127,351** | **1,115,515** | **6,912,769** |
| **As at 31 March 2018** | **339,099** | **430,552** | **22,311** | **718,465** | **1,510,426** |

**Other intangible assets**

| Particulars | Computer software |
|---|---|
| **Gross block** | |
| **As at 1 April 2017** | - |
| Additions during the year | 2,500,000 |
| Disposals for the year | - |
| **As at 31 March 2018** | **2,500,000** |
| Additions during the year | 966,100 |
| Disposals for the year | - |
| **As at 31 March 2019** | **3,466,100** |
| **Accumulated amortisation** | |
| **As at 1 April 2017** | - |
| Charge for the year | 833,333 |
| Disposals during the year | - |
| **As at 31 March 2018** | **833,333** |
| Charge for the year | 1,005,385 |
| Disposals during the year | - |
| **As at 31 March 2019** | **1,838,718** |
| **Net Block :** | |
| **As at 31 March 2019** | **1,627,382** |
| **As at 31 March 2018** | **1,666,667** |

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## 4 Taxes

### A Amount recognised in profit or loss

*(Amount in Rs)*

| Particulars | For the Year Ended 31 March 2019 | For the Year Ended 31 March 2018 |
|---|---|---|
| ***Current tax:*** | | |
| In respect of the current period | - | 700,000 |
| Excess provision related to prior years | - | - |
| ***Deferred tax:*** | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | - | 159,874 |
| Increase/ reduction of tax rate | - | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **-** | **859,874** |

### B Reconciliation of effective tax rate

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | | For the year ended 31 March 2018 | |
|---|---|---|---|---|
| | **Rate** | **Amount** | **Rate** | **Amount** |
| Profit/ (Loss) before tax | | (37,768,407) | | 2,786,190 |
| Tax using the Company's domestic tax rate | 27.82% | (10,507,171) | 30.90% | 860,933 |
| **Effect of:** | | | | |
| Non-deductible expenses | 0.00% | - | - | (160,933) |
| Deferred tax credit not recognised | -27.82% | 10,507,171 | - | - |
| **Effective tax rate** | **0.00%** | **-** | **25.12%** | **700,000** |
| Less: Excess provision related to prior years | - | - | 0.00% | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **0.00%** | **-** | **0.00%** | **700,000** |

### C The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018:

**Non-current tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 11,334,703 | 4,613,229 |
| Income tax liabilities | - | - |
| **Net income tax assets at the end of the year** | **11,334,703** | **4,613,229** |

**Current tax liabilities (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | - | - |
| Income tax liabilities | - | - |
| **Net income tax liabilities at the end of the year** | - | - |

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**D Deferred tax assets, net**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax assets:** | | |
| Impairment loss allowance on financial assets | - | - |
| Provision on employee benefits- Gratuity | - | - |
| Provision on employee benefits- Compensated absences | - | - |
| Deffered Tax on Bonus | - | - |
| Deferred Tax others | - | - |
| Business loss current year and carried forwrad | - | - |
| Unabosrbed Depreciation current year and carried forward | - | - |
| Deffered tax on fixed assets | - | (159,874) |
| Minimum alternate tax credit entitlement | - | - |
| **Net deferred tax assets** | **-** | **(159,874)** |

**E Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Rs)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets on:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Others | - | - | - | - | - |
| Business loss cureent year and carried forwrad | - | - | - | - | - |
| Unabosrbed Depreciation current year and carried forward | | | - | | - |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | (159,874) | - | - | - | (159,874) |
| **Net deferred tax assets** | **(159,874)** | **-** | **-** | **-** | **(159,874)** |

*(Amount in Rs)*

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets on:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Others | - | - | - | - | - |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | - | - | (159,874) | - | (159,874) |
| **Net deferred tax assets** | **-** | **-** | **(159,874)** | **-** | **(159,874)** |

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**4 Income tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advance income tax | 11,334,703 | 4,613,229 |
| | **11,334,703** | **4,613,229** |

**5 Trade receivables**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good | 47,094,997 | 9,537,403 |
| Less: allowances for credit losses (refer note 37) | - | - |
| | **47,094,997** | **9,537,403** |

**6 Cash and cash equivalents**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Balances with banks | | |
| In current accounts | 2,312,036 | 2,201,337 |
| | **2,312,036** | **2,201,337** |

**7 Other bank balances**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In deposit accounts (mature within 12 months from the reporting date) | 150,000 | 150,000 |
| | **150,000** | **150,000** |

**8 Current loans**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| Security deposits | 7,119,200 | 2,704,000 |
| | **7,119,200** | **2,704,000** |

**9 Other financial assets**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| Interest accrued but not due | 15,622 | 8,168 |
| | **15,622** | **8,168** |

**10 Unbilled revenue**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue | 40,686,776 | 33,615,129 |
| | **40,686,776** | **33,615,129** |

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**11 Other current assets**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| ***Advances other than capital advances*** | | |
| Advances to suppliers | - | 22,500 |
| Advances to employees | 161,057 | - |
| Security deposits | - | - |
| **Others** | | |
| Prepaid expenses | 2,629,966 | 132,647 |
| Other advance | - | 117,643 |
| | **2,791,023** | **272,790** |

**12 Equity share capital**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 10,000 equity shares of par value of Rs 10 each | 100,000 | 100,000 |
| | **100,000** | **100,000** |
| **Issued, subscribed and paid-up** | | |
| 10,000 equity shares of par value of Rs 10 each, fully paid up | 100,000 | 100,000 |
| | **100,000** | **100,000** |

**12.1 Reconciliation of number of shares outstanding at the beginning and at the end of the year**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| At the commencement of the year | 10,000 | 100,000 | 10,000 | 100,000 |
| Shares issued during the year | - | - | - | - |
| At the end of the year | **10,000** | **100,000** | **10,000** | **100,000** |

**12.2 Shares held by holding company**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 9,999 | 99,990 | 9,999 | 99,990 |
| | **9,999** | **99,990** | **9,999** | **99,990** |

**12.3 Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % of Holding | Number of shares | % of Holding |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 9,999 | 99.99% | 9,999 | 99.99% |
| | **9,999** | | **9,999** | |

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**12.4 Rights, preferences and restrictions attached to equity shares**

The Company has only one class of equity shares having a par value of Rs.10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. Each equity holder is entitled to one vote per share. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of preferential amounts if any, in proportion to the number of equity shares held.

## 13 Other equity

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Retained earnings* | (35,918,392) | 1,850,016 |
| | **(35,918,392)** | **1,850,016** |

*For detailed movement of retained earnings refer Statement of changes in equity

## 14 Deferred income tax liabilities

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Deferred income tax liabilities | 159,874 | 159,874 |
| | **159,874** | **159,874** |

## 15 Non-current provisions

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefit** | | |
| Provision for gratuity | 111,525 | - |
| Provision for compensated absences | - | - |
| | **111,525** | - |

## 16 Current borrowings

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Loan from related parties, unsecured* | | |
| From Quess Corp Limited (refer note 31) | 110,600,017 | - |
| | **110,600,017** | - |

Loan from Quess Corp Limited carrying an interest rate equal to that of 10 year government bond, on a monthly basis, on actual amount utilised, and is repayable on demand.

## 17 Trade payables

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to micro, small and medium enterprises (refer note 33) | - | - |
| Dues to other than micro, small and medium enterprises | 15,629,594 | 32,138,008 |
| | **15,629,594** | **32,138,008** |

As on 31 March 2019 and 31 March 2018, there are no outstanding amounts due to micro and small enterprises. There are no interests due or outstanding on the same.

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**18 Other current financial liabilities**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Other Payables*** | | |
| Accrued salaries and benefits | 670,830 | - |
| Accrued expenses | 21,511,396 | 21,712,878 |
| | **22,182,226** | **21,712,878** |

**19 Other current liabilities**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 5,929,525 | 318,375 |
| Other payables | 1,161,267 | - |
| | **7,090,792** | **318,375** |

**20 Current provisions**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for compensated absences | 88,871 | - |
| | **88,871** | **-** |

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**21 Sale of services**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Rendering of logistics and logistic solution services | 603,282,314 | 301,405,592 |
| | **603,282,314** | **301,405,592** |

**22 Other income**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest on fixed deposit | 7,454 | 8,168 |
| | **7,454** | **8,168** |

**23 Employee benefits expense**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and wages | 4,983,155 | - |
| Contribution to provident and other funds | 460,559 | - |
| Gratuity | 111,525 | - |
| Compensated absences | 88,871 | - |
| Staff welfare expenses | 992,197 | - |
| | **6,636,307** | **-** |

**24 Finance costs**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest expense (refer note 31) | 3,777,797 | 849,850 |
| | **3,777,797** | **849,850** |

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**25 Depreciation and amortisation expense**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 2,598,996 | 291,620 |
| Amortisation of intangible assets (refer note 3) | 1,005,385 | 833,333 |
| | **3,604,381** | **1,124,953** |

**26 Other expenses**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Verification/ compliance management expenses | 2,780,469 | - |
| Travelling and conveyance | 620,861 | 105,360 |
| Legal and professional fees* | 6,362,589 | 1,288,900 |
| Rent (refer note 32) | 10,041,416 | 2,690,565 |
| Power and fuel | 496,159 | 156,197 |
| Shipment delivery Charges | 541,140,076 | 187,566,181 |
| Bad debts written off | 1,558 | - |
| Bank Charges | 17,610 | 21,425 |
| Business promotion expenses | 143,770 | 159,010 |
| Communication expenses | 426,624 | 117,880 |
| Equipment hire charges | 10,582,616 | |
| Insurance | 2,443,181 | 243,286 |
| Printing and stationery | 285,349 | 38,534 |
| Rates and taxes | 60,042 | 475,856 |
| Repairs & Maintenance | | |
| - plant and machinery | 315,217 | 6,094 |
| - buildings | 1,818,911 | 189,903 |
| - others | 41,493 | 580,161 |
| Miscellaneous expenses | 1,417,860 | 514,803 |
| Security expenses | 7,906,645 | 1,240,195 |
| Sub-contractor charges | 40,137,245 | 25,183,155 |
| Services reimbursement expenses | - | 76,075,262 |
| | **627,039,690** | **296,652,767** |

***Payment to auditors (net of GST; included in legal and professional fees)**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 150,000 | 150,000 |
| | 150,000 | 150,000 |

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## 27 Revenue from Contracts with customers

### (i) Disaggregation of revenue

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The Company believes that this disagregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in Rs)*

| Particulars | Logistics and logistic solution services |
|---|---|
| **Revenues by Geography** | |
| India | 603,282,314 |
| **Total** | **603,282,314** |

Revenue disaggregation as per segment and geography has been included in segment information (Refer note 34).

### (ii) Trade Receivables and Contract Balances

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue. Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 47,094,997 | 9,537,403 |
| Contract assets (Unbilled revenue) | 40,686,776 | 33,615,129 |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 33,615,129 |
| Add : Revenue recognized during the period | 40,686,776 |
| Less : Invoiced during the period | (33,615,129) |
| Less : Impairment / (reversal) during the period | - |
| Add: Changes due to Business Combinations | - |
| Add : Translation gain/(Loss) | - |
| **Balance at the end** | **40,686,776** |

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The following table discloses the movement in unearned revenue (contract liabilities) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | - |
| Add : Reclassified from assets held for sale | - |
| Less: Revenue recognized during the period | - |
| Add: Changes due to Business Combinations | - |
| Add: Invoiced during the period but not recognized as revenues | - |
| Add: Translation loss / (gain) | - |
| Balance at the end | - |

**(iii) Performance obligations and remaining performance obligations**

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for
(i) contracts with an original expected duration of one year or less and
(ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is Nil.

**(iv) Changes in accounting policies**

The Company has consistently applied the accounting policies to all periods presented in these financials statements, except for the change in Ind AS 115 " Revenue from contracts with customers".

Effective 1 April 2018, the Company has adopted Ind AS 115, using the cumulative effect method, accordingly the cumulative effect of initially applying Ind AS 115 is recognised in the opening equity as at 1 April 2018. In accordance with the cumulative effect method, the comparatives have not been retrospectively restated/ adjusted. The impact of the adoption of Ind AS 115 on the financial statements as at 1 April 2018 was insignificant.

As a result the Company has changed its accounting policy for revenue recognition, following is the summary of revised accounting policy. Refer note 1 Significant accounting policies in the Company's FY 18-19 Annual Report for the accounting policies prior to 1 April 2018.

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**28 Capital commitments**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | - | - |
| | - | - |

**29 Contingent liabilities and Commitments**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Contingent liabilities** | | |
| Claims against company not acknowledged as Debts | - | - |
| | - | - |

**30 Earnings per share**

*(Amount in INR except number of shares)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares | 100,000 | 100,000 |
| Net profit after tax for the purpose of earnings per share | (37,768,407) | 1,926,316 |
| Weighted average number of shares used in computing basic earnings per share | 10,000 | 10,000 |
| **Basic earnings per share** | **(3,776.84)** | **192.63** |
| Weighted average number of shares used in computing diluted earnings per share | 10,000 | 10,000 |
| **Diluted earnings per share** | **(3,776.84)** | **192.63** |

**Computation of weighted average number of shares**

*(Figures in numbers)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Number of equity shares outstanding at beginning of the year** | 10,000 | - |
| Number of equity shares outstanding at beginning of the previous year after right issue and bonus issue | - | - |
| Add: Weighted average number of equity shares issued during the year | - | 10,000 |
| Weighted average number of shares outstanding at the end of year for computing basic earnings per share | 10,000 | 10,000 |
| Add: Impact of potentially dilutive equity shares | - | - |
| Weighted average number of shares outstanding at the end of year for computing diluted earnings per share | **10,000** | **10,000** |

**31 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Subsidiaries, associates and joint venture | Refer Note (ii) |
| - Entity having common directors | Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 18 December 2018) |

**(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture**

| Name of the entity | Nature of relation |
|---|---|
| Coachieve Solutions Private Limited | Subsidiary |
| MFX Infotech Private Limited | Subsidiary |
| Aravon Services Private Limited | Subsidiary |
| Brainhunter Systems Ltd. | Subsidiary |
| Mindwire Systems Limited | Subsidiary |
| Brainhunter Companies LLC, USA | Subsidiary |
| Quess (Philippines) Corp. | Subsidiary |
| Quess Corp (USA) Inc. | Subsidiary |
| Quesscorp Holdings Pte. Ltd. | Subsidiary |
| Quessglobal (Malaysia) Sdn. Bhd. | Subsidiary |
| Quess Corp Lanka (Private) Limited | Subsidiary |
| Comtel Solutions Pte. Ltd. | Subsidiary |
| Ikya Business Services (Private) Limited | Subsidiary |
| MFXchange Holdings, Inc. | Subsidiary |

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**(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture**

| Name of the entity | Nature of relation |
|---|---|
| MFXchange US, Inc. | Subsidiary |
| MFXchange (Ireland) Limited | Subsidiary |
| Quess Corp Vietnam LLC | Subsidiary |
| MFX Chile SpA | Subsidiary |
| CentreQ Business Services Private Limited | Subsidiary |
| Excelus Learning Solutions Private Limited | Subsidiary |
| Inticore VJP Advance Systems Private Limited | Subsidiary |
| Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) | Subsidiary |
| Vedang Cellular Services Private Limited | Subsidiary |
| Master Staffing Solutions Private Limited | Subsidiary |
| Golden Star Facilities and Services Private Limited | Subsidiary |
| Comtelpro Pte. Limited. | Subsidiary |
| Comtelink Sdn. Bhd | Subsidiary |
| Monster.com (India) Private Limited | Subsidiary |
| Monster.com.SG PTE Limited | Subsidiary |
| Monster.com HK Limited | Subsidiary |
| Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn Bhd) | Subsidiary |
| Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | Subsidiary |
| Greenpiece Landscapes India Private Limited | Subsidiary |
| Simpliance Technologies Private Limited | Subsidiary |
| Quesscorp Management Consultancies (formerly known as Styracorp Management Services) | Subsidiary |
| Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower Supply Services (LLC)] | Subsidiary |
| Trimax Smart Infraprojects Private Limited | Associate |
| Terrier Security Services (India) Private Limited | Associate |
| Heptagon Technologies Private Limited | Associate |
| Quess Recruit, Inc. | Associate |
| Quess East Bengal FC Private Limited | Associate |
| Agency Pekerjaan Quess Recruit Sdn. Bhd. | Associate |
| Himmer Industrial Services (M) Sdn. Bhd. | Joint venture |

**Key executive management personnel**

| Name | Designation |
|---|---|
| Subrata Kumar Nag | Group CEO & Director |
| Srinivasan Guruprasad | Director |

**(ii) Related party transactions during the year**

*(Amount in Rs)*

| Particulars | | For the Year Ended 31 March 2019 | For the Year Ended 31 March 2018 |
|---|---|---|---|
| Finance costs | | | |
| - Interest expense | Quess Corp Limited | 3,777,797 | 849,850 |
| Payment made by related parties on behalf of the Company | Quess Corp Limited | 4,025,355 | 26,846,387 |
| Expense incurred on behalf of the related parties | Quess Corp Limited | - | 1,804,931 |
| Other expenses | | | |
| - Security & background verification expense | Terrier Security Services (India) Private Limited | 7,856,039 | 1,414,737 |
| - Professional fees | Heptagon Technologies Private Limited | 1,348,985 | 946,000 |
| - Professional fees | Co-achieve Solutions Private Limited | - | 122,500 |
| - Sub-contractor charges | Quess Corp Limited | 39,318,649 | 25,183,155 |
| Loans received from related parties | Quess Corp Limited | 265,300,000 | 156,000,000 |
| Loans repaid to related parties | Quess Corp Limited | 202,100,000 | 159,295,400 |

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**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs)*

| Particulars | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| Unsecured Loan (including interest) | Quess Corp Limited | 110,600,017 | - |
| Trade payables (inclusive of provisions) | Terrier Security Services (India) Private Limited | 3,085,401 | 773,152 |
| | Quess Corp Limited | 4,039,288 | 27,902,907 |

**(iv) Compensation of key managerial personnel**

*(Amount in Rs)*

| Particulars | For the Year Ended 31 March 2019 | For the Year Ended 31 March 2018 |
|---|---|---|
| Srinivasan Guruprasad | - | - |
| Subrata Kumar Nag | - | - |
| | - | - |

**32 Leases**

***Operating Leases***

The Company has taken on lease premises under operating leases. The leases typically run for a period of one years, with an option to renew the lease after that period. Lease payments are renegotiable at the time of renewal.

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Payable within 1 year | - | - |
| Payable between 1-5 years | - | - |
| Payable later than 5 years | - | - |

*(Amount in Rs)*

| Particulars | For the Year Ended 31 March 2019 | For the Year Ended 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | 10,041,416 | 2,690,565 |
| - Non-cancellable | - | - |
| - Cancellable | 10,041,416 | 2,690,565 |

**33 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

**34 *Segment reporting***

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is in the business of rendering compliance management, staffing and background verification services for group companies and other external clients which are considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

**35 Comparability with previous period**

Previous year figures are reclassified/ regrouped wherever necessary.

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**36 Financial instruments - fair value and risk management**

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-19 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Trade receivables | 47,094,997 | - | - | - |
| Cash and cash equivalents | 2,312,036 | - | - | - |
| Bank balance other than above | 150,000 | - | - | - |
| Current loans | 7,119,200 | - | - | - |
| Other financial assets | 15,622 | - | - | - |
| Unbilled revenue | 40,686,776 | - | - | - |
| **Total financial assets** | **97,378,631** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Borrowings other than above | 110,600,017 | - | - | - |
| Trade payables | 15,629,594 | - | - | - |
| Other financial liabilities | 22,182,226 | - | - | - |
| **Total financial liabilities** | **148,411,838** | - | - | - |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-18 | Level 1 | Level 2 | Level 3 |
| **Financial assets measnred at amortised cost** | | | | |
| Trade receivables | 9,537,403 | - | - | - |
| Cash and cash equivalents | 2,201,337 | - | - | - |
| Bank balance other than above | 150,000 | - | - | - |
| Other financial assets | 8,168 | - | - | - |
| Unbilled revenue | 33,615,129 | - | - | - |
| **Total financial assets** | **48,216,038** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 32,138,008 | - | - | - |
| Other financial liabilities | 21,712,878 | - | - | - |
| **Total financial liabilities** | **53,850,885** | - | - | - |

**Fair value hierarchy**

**Level 1:** Quoted Price (Unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly( i.e as prices) or indirectly (i.e derived from

**Level 3:** Inputs for the assets or liabilities that are not based unobservable market data ( Unobservable inputs)

**Fair valuation method**

The Managemnet assessed that fair value of financial assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

**A Financial Assets:**

1) Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

1) **Borrowings:** It includes working capital loan and payments on behalf of the entity from Quess Corp Ltd. These borrowings are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

2) **Finance lease obligations:** The fair value of obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

3) **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

**37 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Board of Directors of Dependo Logistics Solutions Private Limited has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade receivables***

The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

***Expected credit loss assessment for corporate customers as at 31 March 2019 are as follows:***

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers.

Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 360 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers:**

**As at 31 March 2019**

*(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 6,509,895 | - | - | No | 6,509,895 |
| Past due 1–90 days | 19,806,582 | - | - | No | 19,806,582 |
| Past due 91–180 days | 15,664,764 | - | - | No | 15,664,764 |
| Past due 181–270 days | 4,715,962 | - | - | No | 4,715,962 |
| Past due 271–360 days | 4,626 | - | - | No | 4,626 |
| Above 360 days | - | - | - | Yes | - |
| | **46,701,828** | | - | | **46,701,828** |

**As at 31 March 2018**

*(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | - | - | - | No | - |
| Past due 1–90 days | 9,537,403 | - | - | No | 9,537,403 |
| Past due 91–180 days | - | - | - | No | - |
| Past due 181–270 days | - | - | - | No | - |
| Past due 271–360 days | - | - | - | No | - |
| Above 360 days | - | - | - | Yes | - |
| | **9,537,403** | | - | | **9,537,403** |

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**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

**i) Financing arrangement**

The Company maintains the following line of credit:

(i) The Company had taken loan from the parent company Quess Corp Limited

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018.The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019**

*(Amount in Rs)*

| Particulars | Carrying amount | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 110,600,017 | 110,600,017 | - | - | - |
| Trade payables | 15,629,594 | 15,629,594 | - | - | - |
| Other financial liabilities | 22,182,226 | 22,182,226 | - | - | - |

**As at 31 March 2018**

*(Amount in Rs)*

| Particulars | Carrying amount | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | - | - | - | - | - |
| Trade payables | 32,138,008 | 32,138,008 | - | - | - |
| Other financial liabilities | 21,712,878 | 21,712,878 | - | - | - |

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long-term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowing comprises of vehicle loans, working capital loans, finance lease obligations, loan from related parties and debentures which carries fixed rate of interest, which do not expose it to interest rate risk. However, non-convertible debenture has a fixed coupon rate but there is a condition of call/put option associated with change in interest rate exposing it to interest rate risk. The borrowings also includes cash credit, bill discounting and term loan facilities and loans from related parties which carries variable rate of interest.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | 110,600,017 | - |
| Fixed rate borrowings | - | - |
| **Total borrowings** | **110,600,017** | - |

**(b) Sensitivity**

*(Amount in Rs)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% Increase | 1% decrease | 1% Increase | 1% decrease |
| **31 March 2019** | | | | |
| Variable rate borrowings | (1,106,000) | 1,106,000 | - | - |
| **31 March 2018** | | | | |
| Variable rate borrowings | - | - | - | - |

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**Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

Consistent with others in the industry, the company monitors capital on the basis of following gearing ratio:

Net debt (total liabilities net of cash and cash equivalent) divided by Total equity (as shown in balance sheet date)

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total External Liabilities | 155,862,900 | 54,329,134 |
| Less: Cash and cash equivalents | 2,312,036 | 2,201,337 |
| **Adjusted net debt (borrowings net of cash and cash equivalents)** | **153,550,864** | **52,127,797** |
| Total equity | (35,818,392) | 1,950,016 |
| **Net debt (Total external liabilities) to equity ratio** | **(4.29)** | **26.73** |

As per our report of even date attached
**for Vasan and Sampath LLP**
Chartered Accountants
Firm's Registration No: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 9 May 2019

for and on behalf of Board of Directors of
**Dependo Logistics Solutions Private Limited**

**Subrata Kumar Nag**
Director
DIN: 02234000

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 9 May 2019

## INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**Excelus Learning Solutions Private Limited**

### Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Excelus Learning Solutions Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Management's Responsibility

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position,

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BTM 2nd Stage, Bangalore - 560076, INDIA.
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web : www.vscaglobal.com

financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.

2) As required by Section 143 (3) of the Act, we report that;
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

   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, 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 and accordingly there is no impact on its financial position;

      ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

      iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: May 08, 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of the Company)

i. a. The Company has maintained proper records showing full particulars, including quantitative details. However, the Company is in the process of updating location wise details of fixed assets;

b. Fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. The Company's operations does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans and investments, guarantees, and security covered by covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities. As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable;

b. According to the information and explanations given to us, there are no dues of provident fund, employee state insurance, income-tax, goods and service tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute;

viii. The Company has obtained loans as referred in Note No.17, 21 and 43 to financial statements. The Company does not have any loans or borrowings from any financial institution, banks or debenture holders during the year. According to the information and explanations given to us, there have been no defaults in repayment loan;

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly

VASAN & SAMPATH LLP * BANGALORE INDIA * CHARTERED ACCOUNTANTS

the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act, is not applicable;

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable; and

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703
Place: Bengaluru
Date: May 08, 2019

**ANNEXURE B - to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of the Company)

**Report on the Internal Financial Controls 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 **Excelus Learning Solutions Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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[1] and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone Ind AS 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;

VASAN & SAMPATH LLP * CHARTERED ACCOUNTANTS * BANGALORE INDIA

[1] Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').

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 authorizations of management and directors of the Company; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP * CHARTERED ACCOUNTANTS * BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: May 08, 2019

Excelus Learning Solutions Private Limited
(A Subsidiary of Quess Corp Limited)

*(Amount in INR lakhs)*

| Balance Sheet | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 1,236.14 | 905.46 |
| Capital work-in-progress | | - | - |
| Goodwill | | - | - |
| Other intangible assets | | - | - |
| Intangible assets under development | | - | - |
| Investments in equity accounted investees | | - | - |
| **Financial assets** | | | |
| (i) Non-current investments | | - | - |
| (ii) Non-current loans | 4 | 152.57 | 136.43 |
| (iii) Other non-current financial assets | 5 | 565.48 | 551.47 |
| Deferred tax assets (net) | 6 | 130.90 | 179.82 |
| Income tax assets | 7 | 346.11 | 36.26 |
| Other non-current assets | 8 | 31.74 | 113.56 |
| **Total non-current assets** | | **2,462.95** | **1,923.00** |
| **Current assets** | | | |
| Inventories | | - | - |
| **Financial assets** | | | |
| (i) Current investments | | - | - |
| (ii) Trade receivables | 9 | 4.74 | 56.43 |
| (iii) Cash and cash equivalents | 10 | 433.84 | 449.10 |
| (iv) Bank balances other than cash and cash equivalents above | 11 | 20.00 | 20.00 |
| (v) Current loans | | - | - |
| (vi) Unbilled revenue | 12 | 1,357.96 | 135.67 |
| (vii) Other current financial assets | 13 | 42.87 | 14.13 |
| Other current assets | 14 | 192.98 | 175.79 |
| **Total current assets** | | **2,052.39** | **851.12** |
| **Total assets** | | **4,515.34** | **2,774.13** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | 1.00 | 1.00 |
| Other equity | 16 | (200.78) | (505.69) |
| **Total equity attributable to equity holders of the Company** | | **(199.78)** | **(504.69)** |
| Non-controlling interests | | - | - |
| **Total equity** | | **(199.78)** | **(504.69)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Non-current borrowings | 17 | 278.09 | 262.14 |
| (ii) Other non-current financial liabilities | | - | - |
| Deferred tax liabilities (net) | | - | - |
| Non-current provisions | 18 | 21.16 | 6.30 |
| **Total non-current liabilities** | | **299.26** | **268.44** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Current borrowings | 19 | 3,781.30 | 2,519.31 |
| (ii) Trade payables | 20 | 94.15 | 192.74 |
| (iii) Other current financial liabilities | 21 | 437.45 | 193.68 |
| Income tax liabilities | 22 | 56.87 | - |
| Current provisions | 23 | 7.27 | 2.98 |
| Other current liabilities | 24 | 38.83 | 101.67 |
| **Total current liabilities** | | **4,415.87** | **3,010.38** |
| **Total Liabilities** | | **4,715.12** | **3,278.82** |
| **Total Equity and Liabilities** | | **4,515.34** | **2,774.13** |

Company overview and Significant accounting policies 1 & 2

*The notes referred to above form an integral part of the financial statements*

As per our report of even date attached
*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 08 May 2019

*for* and on behalf of Board of Directors of
**Excelus Learning Solutions Private Limited**

**Ranjit Nair**
Director
DIN : 07086634

**Subrata Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 08 May 2019

Excelus Learning Solutions Pvt. Ltd. Bangalore

**Excelus Learning Solutions Private Limited**
**(A Subsidiary of Quess Corp Limited)**

*(Amount in INR lakhs except per equity share data)*

| Statement of profit and loss | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 25 | 3,869.28 | 563.47 |
| Other income | 26 | 38.60 | 18.35 |
| **Total income** | | **3,907.88** | **581.82** |
| **Expenses** | | | |
| Cost of material and stores and spare parts consumed | | - | - |
| Employee benefit expenses | 27 | 1,366.35 | 474.53 |
| Finance costs | 28 | 313.03 | 116.87 |
| Depreciation and amortisation expenses | 29 | 426.68 | 131.78 |
| Other expenses | 30 | 1,389.80 | 530.98 |
| **Total expenses** | | **3,495.87** | **1,254.16** |
| **Profit before share of profit of equity accounted investees and income tax** | | **412.01** | **(672.33)** |
| Share of profit of equity accounted investees (net of income tax) | | - | - |
| **Profit before tax** | | **412.01** | **(672.33)** |
| **Tax credit/ (expense)** | | | |
| Current tax: Minimum Alternative Tax ('MAT') for the year | | (56.87) | - |
| Excess provision of tax relating to earlier years | | - | - |
| Deferred tax (including MAT credit entitlement) | 6 | (48.92) | 182.20 |
| **Total tax credit/ (expense)** | | **(105.79)** | **182.20** |
| **Profit for the year** | | **306.22** | **(490.13)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement losses on defined benefit plans | | (1.31) | - |
| Share of other comprehensive income of equity accounted investees (net of income tax) | | - | - |
| Income tax relating to items that will not be reclassified to profit or loss | | - | - |
| **Total other comprehensive income for the year, net of income tax** | | **(1.31)** | **-** |
| **Total comprehensive income for the year** | | **304.91** | **(490.13)** |
| **Earnings per equity share (face value of INR 10.00 each)** | | | |
| Basic (in INR) | | 3,062.17 | (4,901.33) |
| Diluted (in INR) | | 3,062.17 | (4,901.33) |
| Company overview and Significant accounting policies | 1 & 2 | | |

*The notes referred to above form an integral part of the financial statements.*

As per our report of even date attached
**for Vasan & Sampath LLP**
**Chartered Accountants**
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP • BANGALORE INDIA • CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 08 May 2019

*for* and on behalf of the Board of Directors of
**Excelus Learning Solutions Private Limited**

Excelus Learning Solutions Pvt. Ltd. Bangalore

**Ranjit Nair**
Director
DIN : 07086634

**Subrata Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 08 May 2019

**Excelus Learning Solutions Private Limited**
**(A Subsidiary of Quess Corp Limited)**
**Statement of Changes in Equity for the year ended 31 March 2019**

*(Amount in INR lakhs)*

| Particulars | Share Capital | OTHER EQUITY | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|
| | | Retained Earnings | Other Reserves | |
| **Balance as of 01 April 2018** | 1.00 | (523.17) | 17.48 | (504.70) |
| Add: Increase in Share Capital | - | - | - | - |
| Less: Buyback of share capital | - | - | - | - |
| Add: Financial value of Corporate guarantee received | - | - | - | - |
| Add: Profit for the year | - | 306.22 | - | 306.22 |
| Add: Other comprehensive income (net of tax) | - | (1.31) | - | (1.31) |
| **Balance as of 31 March 2019** | **1.00** | **(218.26)** | **17.48** | **(199.78)** |

As per our report of even date attached
*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP • BANGALORE INDIA • CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 08 May 2019

*for* and on behalf of Board of Directors of
**Excelus Learning Solutions Private Limited**

Excelus Learning Solutions Pvt. Ltd. Bangalore

**Ranjit Nair**
Director
DIN : 07086634

**Subrata Nag**
Director
DIN : 02234000

Place: Bengaluru
Date: 08 May 2019

**Excelus Learning Solutions Private Limited**
**(A Subsidiary of Quess Corp Limited)**
**Cash flow statement**

*(Amount in INR lakhs)*

| | For the year ended 31 Mar 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 412.01 | (672.34) |
| **Adjustments for:** | | - |
| Depreciation and amortisation | 426.68 | 131.78 |
| Interest income on term deposits | (31.94) | (15.66) |
| Rent amortization for SD (Net of income) | 0.38 | 0.32 |
| Finance costs | 313.03 | 116.87 |
| **Operating cash flows before working capital changes** | **1,120.17** | **(439.03)** |
| Changes in Loans, other financial assets and other assets | (1,497.64) | (386.11) |
| Changes in trade payables and other financial liabilities | (68.95) | 384.40 |
| **Cash generated from operations** | **(446.42)** | **(440.74)** |
| Direct taxes paid, net of refund | - | - |
| **Net cash (used in) / provided by operating activities (A)** | **(446.42)** | **(440.74)** |
| | | |
| **Cash flows from investing activities** | | |
| Expenditure on property,plant and equipment and intangibles, net of sale proceeds | (683.64) | (1,007.92) |
| Interest on bank deposits | 3.19 | 1.57 |
| Bank deposits (having original maturity of more than three months) | (14.02) | (535.16) |
| Security deposits | (12.60) | (133.25) |
| **Net cash (used in) / provided by investing activities (B)** | **(707.06)** | **(1,674.77)** |
| | | |
| **Cash flows from financing activities** | | |
| Fair value of financial guarantee received | - | - |
| Proceeds from borrowings (NSDC) | 183.10 | 315.39 |
| Proceeds from borrowings (Quess) | 1,261.98 | 2,258.32 |
| Proceeds from issue of equity shares, net of issue expenses | - | - |
| Interest on loan paid | (286.62) | (2.88) |
| Financial charges for BG | (20.24) | (16.49) |
| **Net cash (used in) / provided by financing activities (C)** | **1,138.22** | **2,554.34** |
| | | |
| Net increase in cash and cash equivalents (A+B+C) | (15.26) | 438.83 |
| Cash and cash equivalents at the beginning of the year | 449.10 | 10.27 |
| **Cash and cash equivalents at the end of the year** | **433.84** | **449.10** |

As per our report of even date attached
*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 08 May 2019

*for* and on behalf of Board of Directors of
**Excelus Learning Solutions Private Limited**

Subrata Nag

| **Ranjit Nair** | **Subrata Nag** |
|---|---|
| Director | Director |
| DIN : 07086634 | DIN : 02234000 |

Excelus Learning Solutions Pvt. Ltd. Bangalore

Place: Bengaluru
Date: 08 May 2019

**Excelus Learning Solutions Private Limited**
**(A Subsidiary of Quess Corp Limited)**
**Notes to the financial statements for the year ended 31 March 2019**

**1. Company overview**
Excelus Learning Solutions Private Limited ('the Company') , is a Company incorporated under the provisions of the Companies Act, 2013('the Act') on November 23, 2016. The company has its registered office in Bengaluru, India. The Company is engaged in the business of skill development and training services.

**2.1 Significant accounting policies**

**2.1.1 Basis of preparation**

These financial statements are prepared in accordance with Indian Accounting Standards (IndAS), the provisions of the Companies Act, 2013 ('Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

**2.1.2 Basis of measurement**
The financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following assets and liabilities which have been measured at fair value:
i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);
ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined benefit Obligation ("DBO").

**2.1.3 Use of estimates and judgment**
The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) *Income taxes:* Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

ii) *Measurement of Defined Benefit Obligation:*The cost of defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

iii) *Property, Plant & Equipment* - The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

iv) *Other estimates:* The impairment of non-financial assets involves key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets.

**2.1.4 Current - non current classification**
All assets and liabilities are 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 products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, 12 months period has been considered by the Company as its normal operating cycle for the purpose of classification of assets and liabilities as current and non-current.

**Assets**
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realized within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Current assets include the current portion of non-current financial assets.
All other assets are classified as non-current.

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**Liabilities**
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.
All other liabilities are classified as non-current.

**Operating cycle**
Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The Company has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

## 2.2 Summary of significant accounting policies

### 2.2.1 Foreign currency transactions and balances
Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

### 2.2.2 Financial instruments

#### 2.2.2.1 Initial recognition
The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities, which are at fair value through profit or loss are recognized immediately in profit or loss.

#### 2.2.2.2 Subsequent measurement
**(a) Non- derivative financial instruments**
**(i) Financial assets carried at amortized cost**
A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**(ii) Financial assets at fair value through other comprehensive income**
A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are reclassified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

**(iii) Equity instruments at fair value through other comprehensive income**
All equity instruments are measured at fair value. Equity instruments held for trading is classified as fair value through profit and loss. For all other equity instruments, the Company may make an irrevocable election to present subsequent changes in the fair value in other comprehensive income. The Company makes such election on an instrument-by-instrument basis.

**(iv) Financial assets at fair value through profit or loss**
A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

**(v) Financial liabilities**
Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate the fair value due to the short maturity of these instruments.

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**(vi) Financial guarantee contracts**

Financial guarantee contracts issued by the holding company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Fair value of cost of availing the financial guarantee is recognized initially as an asset giving corresponding affect to a component in other equity. The asset so recognized is amortized to the statement of profit and loss over the period of such guarantee availed.

**(b) Share Capital**

**Ordinary Shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to other issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

**2.2.2.3 De - Recognition of financial instruments**

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under IndAS109.A financial liability(or a part of a financial liability)is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

**2.2.3 Fair Value of Financial Instruments**

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

**2.2.4 Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management. The Company depreciates property, plant and equipment on straight line basis over the useful lives of assets estimated by the Management. Depreciation for assets purchased/sold during the period is proportionately charged. The useful lives are as below:

| Category | Useful life |
|---|---|
| Plant and machinery | 3 years |
| Computer equipment | 3 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |
| Vehicles | 3 years |
| Leasehold improvements | 3 years |

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under'Capital work-in progress'.

Since the leasehold improvements form part of training centres and NSDC has funded the project for atleast 3 years, the estimated life is taken as 3 years even if leaseterm is less than 3 years in few cases.

**2.2.5 Intangible assets**

Application software purchased, which is not an integral part of the related hardware, is shown as intangible assets and amortized on a straight line basis over its useful life, not exceeding three years, as determined by management.

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.

The estimated useful lives of intangibles are as follows:

| Category | Useful life |
|---|---|
| Software | 3 years |

**2.2.6 Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vests with the lessor are recognized as operating lease.

Lease payments under operating lease are recognized as an expense in the statement of profit and loss on a straight line basis.

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**2.2.7 Impairment**

**a. Financial assets**

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in statement of profit or loss.

**b. Non-financial assets**

**Intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. The higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating asset to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

**2.2.8 Employee benefit**

**(a) Defined benefit plans**

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in other comprehensive income for the period in which they occur. Past service cost both vested and unvested is recognized as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognizes related restructuring costs or termination benefits.

The retirement benefit obligations recognized in the balance sheet represents the present value of the defined benefit obligations reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

Actuarial gains or losses are recognized in other comprehensive income. Further, the profit or loss does not include an expected return on plan assets. Instead net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurements comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

**(b) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**(c) Compensated absences**

The employees of the Group are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit Method as at the reporting date.

**2.2.9 Provisions and Contingencies**

Provisions are recognized when the Company has a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

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### 2.2.10 Revenue

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration we expect to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation.

The Company accounts for variable considerations as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

### 2.2.11 Other income

Other income is comprised primarily of interest income and exchange gain/loss on translation of other assets and liabilities. Interest income is recognized using the effective interest method.

### 2.2.12 Cost recognition

Costs and expenses are recognized when incurred and have been classified according to their primary nature.

### 2.2.13 Finance costs

Interest expense consist of interest expense on loans and borrowings. Borrowing costs are recognized in the statement of profit and loss using the effective interest method.

### 2.2.14 Income tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. The Deferred tax assets are also recognized for unabsorbed depreciation, current year and carried forward business losses under tax laws. The recognition is supported by management's estimation of availability of sufficient future taxable income, against which such deferred tax assets can be realized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

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**Excelus Learning Solutions Private Limited**
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**Notes to the financial statements for the year ended 31 March 2019**

**2.2.15 Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.2.16 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2.2.17 Earnings per share**

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

**2.2.18 Recent accounting pronouncements**

**Standards issued but not yet effective**

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs (MCA) on 30th March, 2019) which are effective for annual period beginning after 1st April, 2019. The Company intends to adopt these standards or amendments from the effective date.

**Ind AS 116 – Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, except short-term leases and leases for low-value items, under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting largely unchanged from the existing standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options.

**Amendments to existing Ind AS:**

The following amendments to existing standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

1. Amendment to Ind AS 12 Income Taxes
2. Amendment to Ind AS 19 Employee Benefits
3. Amendment to Ind AS 23 Borrowing Costs

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**Excelus Learning Solutions Private Limited**
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**Notes to the financial statements for the year ended 31 March 2019**

**3 Property, plant and equipment** *(Amount in INR Lakhs)*

| Particulars | Leasehold improvements | Furniture and fixtures | Office equipment | Computer equipment | Total |
|---|---|---|---|---|---|
| *Gross block* | | | | | |
| As at 1 April 2018 | 111.81 | 175.52 | 330.58 | 422.44 | 1,040.34 |
| Additions during the year | 114.00 | 211.57 | 258.99 | 172.80 | 757.37 |
| Disposals during the year | - | - | - | - | - |
| As at 31 Mar 2019 | 225.82 | 387.09 | 589.57 | 595.24 | 1,797.72 |
| | | | | | |
| Accumulated Depreciation | | | | | |
| As at 1 April 2018 | 22.99 | 17.79 | 31.46 | 62.65 | 134.89 |
| Depreciation for the year | 65.10 | 62.49 | 108.55 | 190.54 | 426.68 |
| Accumulated depreciation on deletions | - | - | - | - | - |
| As at 31 Mar 2019 | 88.10 | 80.28 | 140.00 | 253.19 | 561.57 |
| | | | | | |
| Net Block : | | | | | |
| As at 1 April 2018 | 88.82 | 157.73 | 299.12 | 359.78 | 905.45 |
| As at 31 Mar 2019 | 137.72 | 306.81 | 449.57 | 342.05 | 1,236.14 |

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**Excelus Learning Solutions Private Limited**
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**Notes to the financial statements for the year ended 31 March 2019**

**4 Non current loans**

*(Amount in INR lakhs)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Unsecured - Considered good | | |
| Security deposits | 152.57 | 136.43 |
| | **152.57** | **136.43** |

**5 Other non-current financial assets**

*(Amount in INR lakhs)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Bank deposits (due to mature after 12 months from the reporting date) | 565.48 | 551.47 |
| Indemnification assets | - | - |
| | **565.48** | **551.47** |

**6 Deferred tax assets (net)**

*(Amount in INR lakhs)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax asset on liabilities:** | | |
| Impairment loss allowance on financial assets | - | - |
| Provision on employee benefits- Gratuity | 3.13 | 0.62 |
| Provision on employee benefits- Compensated absences | 4.26 | 1.77 |
| Deferred Tax on Bonus | - | - |
| Provision for disputed Claims | - | - |
| Interest on Service Tax | - | - |
| Provision for rent Escalation | - | - |
| Present Valuation of Financial Instruments | - | - |
| Customer relationship | - | - |
| Business loss current year and carried forward | 3.72 | 142.62 |
| Unabsorbed Depreciation current year and carried forward | 47.52 | 47.07 |
| Deferred Tax others | 1.27 | 0.08 |
| **Deferred tax asset on assets:** | - | |
| Deferred tax on fixed assets | 14.13 | (12.33) |
| Minimum alternate tax credit entitlement | 56.87 | - |
| **Net deferred tax assets** | **130.90** | **179.82** |

**7 Income tax assets**

*(Amount in INR lakhs)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Advance income tax | 346.11 | 36.26 |
| | **346.11** | **36.26** |

**8 Other non-current assets**

*(Amount in INR lakhs)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Capital advances | 11.55 | 85.28 |
| **Advances other than capital advances** | | |
| Prepaid expenses | 20.19 | 28.28 |
| | **31.74** | **113.56** |

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**Notes to the financial statements for the year ended 31 March 2019**

**9 Trade receivables**

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured** | | |
| Considered good | 4.74 | 56.43 |
| Considered doubtful | - | - |
| | **4.74** | **56.43** |
| *Loss allowance* | | |
| Doubtful | - | - |
| **Net trade receivables** | **4.74** | **56.43** |
| All trade receivables are current | | |

**10 Cash and cash equivalents**

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Cash and cash equivalents* | | |
| Cash in hand | - | - |
| Cheque in hand | - | - |
| Balances with banks | | |
| In current accounts | 433.84 | 449.10 |
| In EEFC accounts | - | - |
| In deposit accounts (with original maturity of 3 months) | - | - |
| **Cash and cash equivalents in balance sheet** | **433.84** | **449.10** |
| Bank overdraft used for cash management purpose | - | - |
| **Cash and cash equivalent in the statement of cash flow** | **433.84** | **449.10** |

**11 Bank balances other than cash and cash equivalents**

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In deposit accounts (mature within 12 months from the reporting date) | 20.00 | 20.00 |
| | **20.00** | **20.00** |

**12 Unbilled revenue**

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue | 1,357.96 | 135.67 |
| | **1,357.96** | **135.67** |

**13 Other current financial assets**

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest accrued but not due | 42.87 | 14.13 |
| Advance for purchase of shares | - | - |
| | **42.87** | **14.13** |

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## 14 Other current assets

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Advances other than capital advances* | | |
| Prepaid expenses | 91.24 | 89.49 |
| Advances to suppliers | 48.47 | 57.22 |
| Advances to employees | 43.89 | 21.94 |
| Balances with government authorities | - | - |
| Refundable Commitment fees | 9.39 | 7.14 |
| | **192.98** | **175.79** |

## 15 Equity share capital

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorized** | | |
| 10,000 equity shares of par value of Rs 10 each | 1.00 | 1.00 |
| | **1.00** | **1.00** |
| **Issued, subscribed and paid-up** | | |
| 10,000 equity shares of par value of Rs 10 each, fully paid up | 1.00 | 1.00 |
| | **1.00** | **1.00** |

### 15.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR Lakhs | Number of shares | Amount in INR Lakhs |
| **Equity shares** | | | | |
| At the commencement of the year | 10,000 | 1.00 | 10,000 | 1.00 |
| Shares issued on exercise of employee stock options | - | - | - | - |
| Shares issued during the year | - | - | - | - |
| Right issue | - | - | - | - |
| Bonus issue | - | - | - | - |
| At the end of the year | **10,000** | **1.00** | **10,000** | **1.00** |

### 15.2 Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. On winding up of the Company, the holders of the equity shares will be entitled to receive the residual assets of the Company, after distribution of all preferential amounts (if any) in proportion to the number of equity shares held.

### 15.3 Shares held by Holding Company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR Lakhs | Number of shares | Amount in INR Lakhs |
| Equity shares | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 9,990 | 0.999 | 9,990 | 0.999 |
| | **9,990** | **0.999** | **9,990** | **0.999** |

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**15.3 Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2019 Number of shares | As at 31 March 2019 % held | As at 31 March 2018 Number of shares | As at 31 March 2018 % held |
|---|---|---|---|---|
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 9,990 | 99.90% | 9,990 | 99.90% |
| | **9,990** | | **9,990** | |

**16 Other equity***

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Securities premium | - | - |
| Stock options outstanding account | - | - |
| Foreign currency translation reserve | - | - |
| Capital reserve account | - | - |
| Debenture redemption reserve | - | - |
| General reserve account | - | - |
| Other comprehensive income | (1.31) | - |
| Capital Redemption Reserve | - | - |
| Other Equity- Corporate Guarantee | 17.48 | 17.48 |
| Retained earnings | (216.96) | (523.17) |
| | **(200.78)** | **(505.69)** |

* For detailed movement of reserves refer Statement of Changes in Equity.

**17 Non-current borrowings**

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Secured* | | |
| Term loans | 278.09 | 262.14 |
| | **278.09** | **262.14** |

**18 Non-current provisions**

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity | 11.80 | 2.41 |
| Provision for compensated absences | 9.36 | 3.89 |
| **Others** | | |
| Provision for disputed claims | - | - |
| Provision for rent escalation | - | - |
| | **21.16** | **6.30** |

**19 Current borrowings**

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Loans from related parties** | | |
| *Unsecured* | | |
| From Quess Corp Limited | 3,781.30 | 2,519.31 |
| | **3,781.30** | **2,519.31** |

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## 20 Trade payables

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Other trade payables* | 94.15 | 192.74 |
| | **94.15** | **192.74** |

*Includes Related Party Balances (refer Note 35)

## 21 Other current financial liabilities

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Current maturities of long-term borrowings | 220.41 | 53.25 |
| Current maturities of finance lease obligations | - | - |
| ***Payable for acquisition of business*** | | |
| Consideration payable | - | - |
| Contingent consideration payable | - | - |
| Current maturities of financial liabilities | - | - |
| Interest accrued and not due | 5.74 | 3.75 |
| Financial guarantee liability | - | - |
| Provision for expenses | 90.19 | 70.73 |
| Capital creditors | - | - |
| ***Other Payables*** | | |
| Accrued salaries and benefits | 121.12 | 65.94 |
| | **437.45** | **193.68** |

## 22 Income tax liabilities

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Provision for tax | 56.87 | - |
| | **56.87** | **-** |

## 23 Current provisions

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity | 0.23 | 0.01 |
| Provision for compensated absences | 7.04 | 2.96 |
| | **7.27** | **2.98** |

## 24 Other current liabilities

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 38.83 | 31.41 |
| Amount payable to related parties | - | 70.26 |
| | **38.83** | **101.67** |

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**25 Revenue from operations**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sale of services | | |
| Training services | 3,869.28 | 563.47 |
| | **3,869.28** | **563.47** |

**26 Other income**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest income under the effective interest method on: | | |
| Deposits with banks | 31.94 | 15.66 |
| Interest income from financial assets at amortized cost | 6.67 | 2.69 |
| | **38.60** | **18.35** |

**27 Employee benefits expense**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and wages | 1,261.02 | 432.53 |
| Contribution to provident and other funds | 87.49 | 32.73 |
| Expenses related to post-employment defined benefit plan | 8.30 | 2.42 |
| Expenses related to compensated absences | 9.54 | 6.86 |
| | **1,366.35** | **474.53** |

**28 Finance costs**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest expense on financial liabilities at amortized cost | 292.79 | 100.38 |
| Other borrowing costs | 20.24 | 16.49 |
| | **313.03** | **116.87** |

**29 Depreciation and amortization expense**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note no.3) | 426.68 | 131.78 |
| | **426.68** | **131.78** |

**30 Other expenses**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sub-contractor charges | - | - |
| Recruitment and training expenses | 1,368.96 | 452.43 |
| Rent | 8.51 | 3.01 |
| Repairs & maintenance | | |
| - buildings | - | 42.37 |
| - others | 0.55 | - |
| Legal and professional fees | 7.11 | 6.81 |
| Rates and taxes | - | 18.30 |
| Printing and stationery | 2.01 | 1.08 |
| Travelling and conveyance | 1.89 | - |
| Miscellaneous expenses | 0.78 | 6.98 |
| | **1,389.80** | **530.98** |

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## 31 Revenue from Contracts with customers

### (i) Trade Receivables and Contract Balances

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade receivables' | 4.74 | 56.43 |
| Contract assets | 1,357.96 | 135.67 |
| Contract liabilities | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date.
The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.
The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in INR lakhs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 135.67 |
| Add : Revenue recognized during the year | 3,845.18 |
| Less : Invoiced during the year | (2,622.89) |
| Less : Impairment / (reversal) during the year | - |
| Add : Translation gain/(Loss) | - |
| Balance at the end | 1,357.96 |

### (ii) Changes in accounting policies

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The quantitative impact of the adoption of Ind AS 115 on the financial statements in the period of initial application is nil.

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**32 Capital commitments**

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 70.11 | 153.61 |
| | **70.11** | **153.61** |

**33 Earnings per share**

*(Amount in Reporting Currency except number of shares and per share data)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares (Rs.10 per share) | 100,000 | 100,000 |
| Net profit after tax / (loss) for the purpose of earnings per share | 306.22 | (490.13) |
| Weighted average number of shares used in computing basic earnings per share | 10,000 | 10,000 |
| **Basic earnings per share (INR)** | **3,062.17** | **(4,901.33)** |
| Weighted average number of shares used in computing diluted earnings per share | 10,000 | 10,000 |
| **Diluted earnings per share (INR)** | **3,062.17** | **(4,901.33)** |

**Computation of weighted average number of shares**

*(Amount in numbers)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Number of equity shares outstanding at beginning of the year | **10,000** | **10,000** |
| Add: Weighted average number of equity shares issued during the year | - | - |
| | - | - |
| Weighted average number of shares outstanding at the end of year for computing basic earnings per share | **10,000** | **10,000** |
| Add: Impact of potentially dilutive equity shares | - | - |
| | - | - |
| Weighted average number of shares outstanding at the end of the year for computing diluted earnings per share | **10,000** | **10,000** |

**34 Expenditure in foreign currency**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Miscellaneous expenses | 4.28 | 3.76 |
| | **4.28** | **3.76** |

**35 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Holding Company | Quess Corp Limited |
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Fellow subsidiaries | Coachieve Solutions Private Limited<br>MFX Infotech Private Limited<br>Aravon Services Private Limited<br>Brainhunter Systems Ltd.<br>Mindwire Systems Limited<br>Brainhunter Companies LLC, USA<br>Quess (Philippines) Corp.<br>Quess Corp (USA) Inc.<br>Quesscorp Holdings Pte. Ltd.<br>Quessglobal (Malaysia) Sdn. Bhd.<br>Quess Corp Lanka (Private) Limited<br>Comtel Solutions Pte. Ltd. |

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| | |
|---|---|
| | Ikya Business Services (Private) Limited |
| | MFXchange Holdings, Inc. |
| | MFXchange US, Inc. |
| | MFXchange (Ireland) Limited |
| | Quess Corp Vietnam LLC |
| | MFX Chile SpA |
| | Dependo Logistics Solutions Private Limited |
| | CentreQ Business Services Private Limited |
| | Excelus Learning Solutions Private Limited |
| | Inticore VJP Advance Systems Private Limited ( Upto August 29, 2018 ) |
| | Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) |
| | Vedang Cellular Services Private Limited |
| | Master Staffing Solutions Private Limited |
| | Golden Star Facilities and Services Private Limited |
| | Comtelpro Pte. Limited. |
| | Comtelink Sdn. Bhd |
| | Monster.com (India) Private Limited |
| | Monster.com.SG PTE Limited |
| | Monster.com HK Limited |
| | Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn Bhd) |
| | Qdigi Services Limited (formerly known as: HCL Computing Products Limited) |
| | Greenpiece Landscapes India Private Limited |
| | Simpliance Technologies Private Limited |
| | Quesscorp Management Consultancies (formerly known as Styracorp Management Services) |
| | Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower Supply Services (L |
| - Associates of Holding Company | Terrier Security Services (India) Private Limited |
| | Heptagon Technologies Pvt Ltd |
| | Quess Recruit, Inc |
| | Trimax Smart Infraprojects Private Limited |
| | Quess East Bengal FC Private Limited (w.e.f. November 16, 2018 ) |
| | Agency Pekerjaan Quess Recruit Sdn. Bhd. |
| - Joint Venture of Holding Company | Himmer Industrial Services (M) SDN BHD |
| - Entity having common directors | Net Resources Investments Private Limited |
| | Go Digit Infoworks Service Private Limited |
| | Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 18 December 2018) |

**Key executive management personnel**

| | |
|---|---|
| Subrata Nag | Director |
| Ranjit Nair | Director |

**(ii) Related party transactions**

*(Amount in INR Lakhs)*

| Particulars | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Revenue from operations** | | | |
| | Quess Corp Limited | - | 5.45 |
| **Other expenses** | | | |
| - Security Expense | Terrier Security Services (India) Private Limited | 110.38 | 83.58 |
| - CCTV | Terrier Security Services (India) Private Limited | 1.96 | 4.35 |
| **Finance costs** | | | |
| - Interest expense | Quess Corp Limited | 268.89 | 89.75 |
| **Payment made by related parties on behalf of the Company** | | | |
| | Quess Corp Limited | 122.15 | 70.26 |
| **Loans received from related parties** | | | |
| | Quess Corp Limited | 1,344.00 | 2,267.30 |
| **Repayments/adjustments of loans given to related parties** | | | |
| | Quess Corp Limited | 324.02 | - |
| **Corporate Guarantee** | | | |
| | Quess Corp Limited | - | 1.05 |

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**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in INR Lakhs)*

| Particulars | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Trade receivables (gross of loss allowance)** | | | |
| | Quess Corp Limited | - | 4.99 |
| **Trade payables** | | | |
| | Terrier Security Services (India) Private Limited | 79.03 | 40.58 |
| **Other current liabilities** | | | |
| | Quess Corp Limited | - | 70.26 |
| **Current borrowings** | | | |
| | Quess Corp Limited | 3,781.30 | 2,519.31 |
| **Corporate Guarnatee** | | | |
| | Quess Corp Limited | 835.19 | 835.19 |

*Corporate Guarantee has been provided by Quess Corp towards NSDC Loan ( Refer Note 43 )*

**(iv) Compensation of key managerial personnel***

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and other employee benefits to whole-time directors and executive officers | - | - |
| Others if any, specify nature | - | - |
| | - | - |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences and employee share-based payment since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

**36 Leases**

***Operating Leases***

The Company has taken on lease offices and residential premises under operating leases. The leases typically run for a period of one to ten years, with an option to renew the lease after that period. Lease payments are renegotiated at the time of renewal.

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Payable within 1 year | - | - |
| Payable between 1-5 years | - | - |
| Payable later than 5 years | - | - |

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | 619.55 | 186.39 |
| - Non-cancellable | - | - |
| - Cancellable | 619.55 | 186.39 |

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The Company has purchased assets under finance lease. The lease agreement is for a period of 36 months. The minimum lease payments and their present values for the finance lease for the following periods are as follows:

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Payable within 1 year | - | - |
| Payable between 1-5 years | - | - |
| Payable later than 5 years | - | - |
| **Total** | - | - |
| Less: Finance charges | - | - |
| **Present value of minimum lease payments** | - | - |

37 **Assets and liabilities relating to employee benefits**

A

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 12.03 | 2.42 |
| Liability for compensated absences | 16.40 | 6.86 |
| **Total employee benefit liability** | **28.43** | **9.28** |
| | | |
| Current | 7.27 | 2.98 |
| Non-current | 21.16 | 6.30 |
| | **28.43** | **9.28** |

**B Reconciliation of net defined benefit liability/ asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Reconciliation of present value of defined benefit obligation*** | | |
| Obligation at the beginning of the year | 2.42 | - |
| Additions through business combination | - | - |
| Current service cost | 8.13 | 2.35 |
| Interest cost | 0.17 | - |
| Past service cost | - | 0.07 |
| Benefit settled | - | - |
| Actuarial (gains)/ losses recognized in other comprehensive income | - | - |
| - Changes in experience adjustments | 1.07 | - |
| - Changes in demographic assumptions | - | - |
| - Changes in financial assumptions | 0.24 | - |
| **Obligation at the end of the year** | **12.03** | **2.42** |
| | | |
| ***Reconciliation of present value of plan assets*** | | |
| Plan assets at the beginning of the year, at fair value | - | - |
| Additions through business combination | - | - |
| Interest income on plan assets | - | - |
| Remeasurement- actuarial gain/(loss) | - | - |
| Return on plan assets recognized in other comprehensive income | - | - |
| Contributions | - | - |
| Benefits settled | - | - |
| **Plan assets as at the end of the year** | - | - |
| **Net defined benefit liability** | **12.03** | **2.42** |

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**C i) Expense recognized in statement of profit or loss**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 8.13 | 2.35 |
| Interest cost | 1.72 | - |
| Past service cost | - | 0.07 |
| Interest income | - | - |
| **Net gratuity cost** | **9.85** | **2.42** |

**ii) Re-measurement recognized in other comprehensive income**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | 1.31 | - |
| Remeasurement of the net defined benefit asset | - | - |
| | **1.31** | **-** |

**D Defined benefit obligation - Actuarial Assumptions**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Discount rate | 6.75% | 7.10% |
| Future salary growth | 7.50% | 7.50% |
| Attrition rate | 30.00% | 30.00% |
| Rate of return on planned asset | - | - |
| Average duration of defined benefit obligation (in years) | - | - |

**E Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

**Core employees**

*(Amount in INR Lakhs)*

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| **Particulars** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (1% movement) | 11.37 | 12.75 | 2.27 | 2.59 |
| Future salary growth (1% movement) | 12.73 | 11.37 | 2.59 | 2.27 |
| Attrition rate (1% movement) | 6.37 | 21.29 | 1.00 | 5.07 |

**38 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

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**39 Taxes**

**A Amount recognized in profit or loss**

*(Amount in INR Lakhs)*

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| *Current tax:* | | |
| In respect of the current period | - | - |
| Excess provision related to prior years | - | - |
| *Deferred tax:* | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | 105.79 | (182.20) |
| Increase/ reduction of tax rate | - | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **105.79** | **(182.20)** |

**B Income tax recognized in other comprehensive income**

*(Amount in INR Lakhs)*

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| **Remeasurement of the net defined benefit liability/ asset** | | |
| Before tax | (1.31) | - |
| Tax (expense)/ benefit | - | - |
| **Net of tax** | **(1.31)** | - |

**C Reconciliation of effective tax rate**

*(Amount in INR Lakhs)*

| **Particulars** | **For the year ended 31 March 2019** | | **For the year ended 31 March 2018** | |
|---|---|---|---|---|
| | **Rate** | **Amount** | **Rate** | **Amount** |
| **Profit before tax** | | 412.01 | | (672.34) |
| Tax using the Company's domestic tax rate | 20.59% | 84.82 | 25.00% | - |
| Effect of: | | | | |
| Tax Expense as per MAT | 13.80% | 56.87 | - | - |
| Deferred tax | -25.68% | (105.79) | - | - |
| MAT Credit | -13.80% | (56.87) | - | - |
| **Effective tax rate** | **-25.68%** | **(105.79)** | 0.00% | - |
| **Excess provisions relating to earlier years** | - | - | - | - |
| Income tax credit/(expense) reported in the Statement of Profit and Loss | **-25.68%** | **(105.79)** | 0.00% | - |

**D The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018**

**Non-current tax assets (net)**

*(Amount in INR Lakhs)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Income tax assets | 346.11 | 36.26 |
| Income tax liabilities | 56.87 | - |
| **Net income tax assets at the end of the year** | **289.24** | **36.26** |

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Excelus Learning Solutions Private Limited
(A Subsidiary of Quess Corp Limited)
Notes to the financial statements for the year ended 31 March 2019
**Current tax liabilities (net)***

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | - | - |
| Income tax liabilities | | - |
| **Net income tax liabilities at the end of the year** | - | - |

*For current tax liabilities above, there is no legally enforceable right to set off against the non-current tax assets and accordingly disclosed separately.

**E Deferred tax assets, net**

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| Deferred tax assets: | | |
| Impairment loss allowance on financial assets | | - |
| Provision on employee benefits- Gratuity | 3.13 | 0.62 |
| Provision on employee benefits- Compensated absences | 4.26 | 1.77 |
| Provision on other employee benefits, if any | - | - |
| Provision for bonus | - | - |
| Provision for disputed claims | - | - |
| Provision for interest on service tax | - | - |
| Provision for rent escalation | - | - |
| Present valuation of financial instruments | - | - |
| Business loss current year and carried forward | 3.72 | 142.62 |
| Deferred tax on fixed assets | 14.13 | (12.33) |
| Unabsorbed Depreciation current year and carried forward | 47.52 | 47.07 |
| Minimum alternate tax credit entitlement | 56.87 | - |
| Deferred Tax others | 1.27 | 0.08 |
| **Deferred tax assets** | **130.90** | **179.82** |
| **Deferred tax liabilities:** | | |
| Customer relationships | - | - |
| Goodwill on merger | - | - |
| | - | - |
| **Net deferred tax assets** | **130.90** | **179.82** |
| **Deferred income tax liabilities:** | | |
| Deferred income tax liabilities | - | - |
| | **130.90** | **179.82** |

**F Recognized deferred tax assets and liabilities**
**Movement of deferred tax assets / liabilities presented in the balance sheet**

*(Amount in INR Lakhs)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | 2.39 | - | 5.00 | - | 7.39 |
| Provision for bonus | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Business loss current year and carried forward | 142.62 | | (138.90) | | 3.72 |
| Unabsorbed Depreciation current year & carried forwar | 47.07 | | 0.46 | | 47.52 |
| Provision for interest on service tax | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Fixed assets | (12.33) | - | 26.46 | - | 14.13 |
| MAT credit entitlement | - | - | 56.87 | - | 56.87 |
| Others | 0.08 | - | 1.19 | - | 1.27 |
| | **179.82** | **-** | **(48.92)** | **-** | **130.90** |

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| | | | | | |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| **Customer relationships** | - | - | - | - | - |
| **Goodwill on merger** | - | - | - | - | - |
| | - | - | - | - | - |
| **Net deferred tax assets** | **179.82** | - | **(48.92)** | - | **130.90** |
| **Deferred income tax liabilities:** | | | | | |
| **Deferred income tax liabilities** | - | - | - | - | - |
| **Deferred tax assets/(liabilities)** | **179.82** | - | **(48.92)** | - | **130.90** |

*(Amount in INR Lakhs)*

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | 2.39 | - | 2.39 |
| Provision for bonus | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Business loss current year and carried forward | - | - | 142.62 | - | 142.62 |
| Unabsorbed Depreciation current year & carried forwar | - | - | 47.07 | - | 47.07 |
| Provision for interest on service tax | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Fixed assets | (2.38) | - | (9.95) | - | (12.33) |
| MAT credit entitlement | - | - | - | - | - |
| Others | - | - | 0.08 | - | 0.08 |
| | **(2.38)** | - | **182.20** | - | **179.82** |
| **Deferred tax liabilities:** | | | | | |
| Customer relationships | - | - | - | - | - |
| Goodwill on merger | - | - | - | - | - |
| | - | - | - | - | - |
| **Net deferred tax assets** | **(2.38)** | - | **182.20** | - | **179.82** |
| **Deferred income tax liabilities:** | | | | | |
| Deferred income tax liabilities | - | - | - | - | - |
| **Deferred tax assets/(liabilities)** | **(2.38)** | - | **182.20** | - | **179.82** |

**G Unrecognized deferred tax assets/ (liabilities)**

The Company does not have unrecognized deferred tax liabilities.

Unrecognized deferred tax assets related primarily to business losses. These unexpired business losses will expire based on the year of origination as follows:

*(Amount in INR Lakhs)*

| As at 31 March 2019 | Unabsorbed business losses |
|---|---|
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| 2024 | - |
| Thereafter | 196.22 |
| | 196.22 |

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**40 Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognized and measured at fair value
b) measured at amortized cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**Fair value of financial instruments as at 31 March 2019**

*(Amount in INR Lakhs)*

| Particulars | Note | Carrying amount | Fair value | | |
|---|---|---|---|---|---|
| | | 31 March 2019 | Level 1 | Level 2 | Level 3 |
| **Financial assets not measured at fair value (measured at amortized cost)** | | | | | |
| Loans | | 196.46 | - | - | - |
| Trade receivables | | 4.74 | - | - | - |
| Cash and cash equivalents including other bank balances | | 433.84 | - | - | - |
| Other financial assets | | 608.35 | - | - | - |
| Unbilled revenue | | 1,357.96 | - | - | - |
| **Financial assets measured at fair value** | | | | | |
| Other non-current investments | | - | - | - | - |
| Current investments | | - | - | - | - |
| **Total financial assets** | | **2,601.35** | **-** | **-** | **-** |
| **Financial liabilities not measured at fair value (measured at amortized cost)** | | | | | |
| Non-convertible debentures | | - | - | - | - |
| Finance lease obligations | | - | - | - | - |
| Borrowings other than above | | - | - | - | - |
| Term Loan | | 278.09 | - | - | - |
| Bank overdraft | | - | - | - | - |
| Loans and borrowings | | 3,781.30 | - | - | - |
| Contingent consideration | | - | - | - | - |
| Trade payables | | 94.15 | - | - | - |
| Other financial liabilities* | | 220.41 | - | - | - |
| **Financial liabilities measured at fair value** | | | | | |
| Contingent consideration | | - | - | - | - |
| Non-controlling interests put option | | - | - | - | - |
| Financial liabilities | | - | - | - | - |
| **Total financial liabilities** | | **4,373.94** | **-** | **-** | **-** |

*Current maturities of long-term borrowings forms part of other financial liabilities

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**Excelus Learning Solutions Private Limited**
**(A Subsidiary of Quess Corp Limited)**
**Notes to the financial statements for the year ended 31 March 2019**
**Fair value of financial instruments as at 31 March 2018**

*(Amount in INR Lakhs)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31 March 2018 | Level 1 | Level 2 | Level 3 |
| Financial assets not measured at fair value (measured at amortized cost) | | | | |
| Loans | 158.37 | - | - | - |
| Trade receivables | 56.43 | - | - | - |
| Cash and cash equivalents including other bank balances | 449.10 | - | - | - |
| Other financial assets | 565.59 | - | - | - |
| Unbilled revenue | 135.67 | - | - | - |
| **Financial assets measured at fair value** | | | | |
| Other non-current investments | - | - | - | - |
| Current investments | - | - | - | - |
| **Total financial assets** | **1,365.16** | - | - | - |
| Financial liabilities not measured at fair value (measured at amortized cost) | | | | |
| Non-convertible debentures | - | - | - | - |
| Finance lease obligations | - | - | - | - |
| Borrowings other than above | 2,834.70 | - | - | - |
| Term Loan | - | - | - | - |
| Bank overdraft | - | - | - | - |
| Loans and borrowings | - | - | - | - |
| Contingent consideration | - | - | - | - |
| Bank overdraft | - | - | - | - |
| Trade payables | 192.74 | - | - | - |
| Other financial liabilities* | 140.43 | - | - | - |
| **Financial liabilities measured at fair value** | | | | |
| Contingent consideration | - | - | - | - |
| Non-controlling interests put option | - | - | - | - |
| Financial liabilities | - | - | - | - |
| **Total financial liabilities** | **3,167.87** | - | - | - |

*Current maturities of long-term borrowings forms part of other financial liabilities

**Fair value hierarchy**

**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

A **Financial Assets:**

1) Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

B **Financial Liabilities:**

1) **Borrowings**: It includes working capital loan and payments on behalf of the entity from Quess Corp Ltd . for mandatory contribution in line with NSDC guidelines for Center set up under PMKVY Projects. These borrowings are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

2) **National Skill Development Centre Loan**: This includes term loan from National Skill Development Centre of Rs.498.49 lakhs taken by the Company which is secured against hypothecation of project assets. The loan is taken at 6% p.a. simple interest and a portion of this has been classified under Non current borrowings and the balance in other current financial liabilities.

3) '**Finance lease obligations**: The fair value of obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

4) '**Trade payables and other liabilities**: Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

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## 41 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Board of Directors of Excelus Learning Solutions Private Limited has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

### i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit

***Trade receivables***

The Company's exposure to credit risk is influenced mainly by its customers. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognized because of collateral.

Expected credit loss assessment for corporate customers as at 31 March 2018 and 31 March 2019 are as follows:

Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are due for more than specific number of days. Loss rates are based on actual credit loss experience over the last six quarters.

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers and unbilled revenue:

**As at 31 March 2019**

*(Amount in INR Lakhs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether trade receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | - | | - | No | - |
| Past due 1–90 days | 4.74 | 0.00% | - | No | 4.74 |
| Past due 91–180 days | - | | - | No | - |
| Past due 181–270 days | - | | - | No | - |
| Above 270 days | - | | - | No | - |
| | **4.74** | | **-** | | **4.74** |

**As at 31 March 2018**

*(Amount in INR Lakhs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether trade receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | - | | - | No | - |
| Past due 1–90 days | 56.43 | 0.00% | - | No | 56.43 |
| Past due 91–180 days | - | | - | No | - |
| Past due 181–270 days | - | | - | No | - |
| Above 270 days | - | | - | No | - |
| | **56.43** | | **-** | | **56.43** |

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**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the

**i) Financing arrangement**

(i) The Company has taken term loan from National Skill Development Corporation for Capital Expenditure management. These facilities are repayable on quarterly basis and are secured primarily by way of bank guarantee and corporate guarantees provided. The loan has been taken at interest rate of 0% (for 2 centers) and 6% as per the agreement with NSDC. The Company has availed principle moratorium period of 1 year from the date of first disbursement

(ii) The Company has taken loan from the parent company Quess Corp ltd for working capital management and for mandatory contribution in line with NSDC guidelines for Center set up under PMKVY Projects. The loan has been taken at the interest rate of 10 year India government bond rate.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019**

*(Amount in INR Lakhs)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 4,279.80 | - | - | - | - |
| Non-convertible debentures | - | - | - | - | - |
| Unsecured loans from banks | - | - | - | - | - |
| Trade payables | 94.15 | - | - | - | - |
| Other financial liabilities | 217.05 | - | - | - | - |
| Other current liabilities | - | - | - | - | - |

**As at 31 March 2018**

*(Amount in INR Lakhs)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 2,834.70 | - | - | - | - |
| Non-convertible debentures | - | - | - | - | - |
| Unsecured bank loans | - | - | - | - | - |
| Trade payables | 192.74 | - | - | - | - |
| Other financial liabilities | 140.42 | - | - | - | - |
| Other current liabilities | - | - | - | - | - |

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long-term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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**Excelus Learning Solutions Private Limited**

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**Notes to the financial statements for the year ended 31 March 2019**

i) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest The Company's borrowing comprises of loan from National Skill Development Corporation which do not expose it to interest rate risk. The borrowings includes loans from related parties which carries variable rate of interest.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

*(Amount in INR Lakhs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | 3,781.30 | 2,438.54 |
| Fixed rate borrowings | 498.49 | 315.39 |
| **Total borrowings** | **4,279.79** | **2,753.92** |

Total borrowings considered above includes current maturities of long-term borrowings.

**(b) Sensitivity**

*(Amount in INR Lakhs)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| **31 March 2019** | | | | |
| Variable rate borrowings | 34.55 | (34.55) | 25.57 | (25.57) |
| **31 March 2018** | - | - | - | - |
| Variable rate borrowings | 0.90 | (0.90) | 0.66 | (0.66) |

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**Excelus Learning Solutions Private Limited**
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**Notes to the financial statements for the year ended 31 March 2019**

**42 Payment to auditors (net of Goods and Service tax; included in legal and professional fees)**

*(Amount in INR Lakhs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 2.00 | 1.00 |
| Tax audit fees | 0.35 | - |
| Others | 1.85 | - |
| Reimbursement of expenses | 0.10 | - |
| | **4.30** | **1.00** |

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**43 Non-current borrowings**

**Terms and conditions of outstanding borrowings are as follows:**

*(Amount in INR Lakhs)*

| Particulars | Currency | Coupon/ Interest rate | Carrying amount as at 31 March 2019 | Carrying amount as at 31 March 2018 |
|---|---|---|---|---|
| Secured NSDC loan | INR | 6.00% | 439.85 | 279.35 |
| Secured NSDC loan | INR | 0.00% | 58.64 | 36.04 |
| **Total borrowings** | | | **498.49** | **315.39** |

Secured by way of :
Corporate Guarantee from Quess Corp and Bank Guarantee
First charge on assets of the project

The loan is repayable in 12 quarterly installments after moratorium period of 1 year.

As per our report of even date attached
*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm's Registration No.: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 08 May 2019

*for* and on behalf of Board of Directors of
**Excelus Learning Solutions Private Limited**

**Ranjit Nair**
Director
DIN : 07086634

**Subrata Nag**
Director
DIN : 02234000

Excelus Learning Solutions Pvt. Ltd. Bangalore

Place: Bengaluru
Date: 08 May 2019

**N S Shastri & Co.,**
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GREENPIECE LANDSCAPES INDIA PRIVATE LIMITED

**I. Report on the Audit of the Financial Statements**

1. **Opinion**

A. We have audited the accompanying Financial Statements of GREENPIECE LANDSCAPE INDIA PRIVATE LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss and the Statement of Cash Flows for the year ended as on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Financial Statements").

B. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended, ("AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the loss and its cash flows for the year ended as on that date.

C. **Emphasis of Matter**

We draw attention to Note 1 in the financial statements which indicates that the Company has incurred a net loss of ₹ 2,22,42,071/- during the year ended 31 March 2019 and Further, as at that date the Company's accumulated losses amounted to ₹ 4,30,80,605/- which have resulted in significant erosion of the net worth of the Company. The accompanying financial statements have been prepared on a going concern basis as the management of the Company is of the opinion that the Company has the ability to meet their day-to-day cash flow requirements from a combination of the working capital generated from operations and the receipt of additional funding from the current/ potential investors. Accordingly, the assets and liabilities have been recorded in the financial statements on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of the business. Our opinion is not qualified in respect of this matter.

2. **Basis for Opinion**

We conducted our audit of the Financial Statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

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## 3. Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to be communicated in our report.

## 4. Other Information - Board of Directors' Report

A. The Company's Board of Directors is responsible for the preparation and presentation of its report (herein after called as "Board Report") which comprises various information required under section 134(3) of the Companies Act 2013 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Board Report and we do not express any form of assurance conclusion thereon.

B. In connection with our audit of the financial statements, our responsibility is to read the Board Report and in doing so, consider whether the Board Report is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in this Board Report, we are required to report that fact. We have nothing to report in this regard.

## 5. Management's Responsibility for the Financial Statements

A. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance, and cash flows of the Company in accordance with the AS 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

B. In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

## 6. Auditor's Responsibilities for the Audit of the Financial Statements

A. Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of

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assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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.

B. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

i) Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

ii) Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

iv) Conclude 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 the Company to cease to continue as a going concern

v) Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation

C. Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

D. 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 deficiencies in internal control that we identify during our audit.

E. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

N.S. SHASTRI & Co. ★ BANGALORE ★ CHARTERED ACCOUNTANTS

## II. Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that

   A. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

   D. In our opinion, the aforesaid financial statements comply with the AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014

   E. On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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.

   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 has disclosed the impact of pending litigations on its financial position in its Financial Statements

   ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts

   iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

N.S. SHASTRI & Co. ★ CHARTERED ACCOUNTANTS ★ BANGALORE

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and such accordingly, the provisions of clause (xvi) of the Order are not applicable to the Company and hence not commented upon.

**For N S Shastri & Co.**
**Chartered Accountants**
Firm's Registration No.: 015093S

N.S. SHASTRI & Co. ★ BANGALORE ★ CHARTERED ACCOUNTANTS

Signature
N S Shastri
(Proprietor)
Membership No. 037676

Place: Bengaluru
Date: 24 April 2019

Annexure A

## Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the financial statements of Greenpiece Landscapes India Private Limited ("the Company") as of and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting (IFCoFR) of the company of as that date.

### Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). 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 the company's 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 Act.

### Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. 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 IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, 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.

5. 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 IFCoFR.

### Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR 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 IFCoFR 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.

N.S. SHASTRI & CO. ★ BANGALORE ★ CHARTERED ACCOUNTANTS

### Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, 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 issued by the ICAI.

**For N S Shastri & Co.**
**Chartered Accountants**
Firm's Registration No.: 015093S

N.S. SHASTRI & Co. ★ CHARTERED ACCOUNTANTS ★ BANGALORE

nshm

Signature
N S Shastri
(Proprietor)
Membership No. 037676

Place: Bengaluru
Date: 24 April 2019

Annexure-B

## Independent Auditor's Report on Companies (Auditor's Report) Order, 2016 ("the Order") under Sub-section 11 of Section 143 of the Companies Act, 2013 ("the Act")

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.

(ii) (a) The management has conducted the physical verification of inventory at reasonable intervals.

(b) The discrepancies noticed on physical verification of the inventory as compared to books records which has been properly dealt with in the books of account were not material.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, guarantees and security covered under section 185 of the Act. In our opinion, the Company has not undertaken any transaction in respect of investments, guarantees and security covered under section 186 of the Act. Further, in our opinion, the Company has complied with the provisions of section 186 of the Act in respect of loans given.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, service tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable other than as mentioned below

N.S. SHASTRI & CO. ★ BANGALORE CHARTERED ACCOUNTANTS

| Nature of Statute | Amount |
|---|---|
| VAT | 6,64,079/- |
| EPF | 23,84,188/- |
| ESI | 6,18,775/- |

(b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount (₹ lacs) | Amount paid under protest (₹ lacs) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|
| ESI Act- 1948 | ESI | 24,49,428/- | 6,12,357/- | F Y 2010-11 & F Y 2011-12 | Sub-Regional office, Bangalore-South |

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or any bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to government.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the Company has applied the term loans for the purposes for which these were raised, though idle funds which were not required for immediate utilization have been invested in liquid investments, payable on demand.

(x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees or by the Company have been noticed or reported during the course of our audit.

(xi) The provisions of Section 197 of the Act read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under Section 2(71) of the Act. Accordingly, provisions of clause 3(xi) of the Order are not applicable.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

(xiv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause (xiv) of the Order are not applicable to the Company and hence not commented upon.

(xv) In our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them, covered under Section 192 of the Act.

N.S. SHASTRI & Co. ★ CHARTERED ACCOUNTANTS ★ BANGALORE

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 N S Shastri & Co.**
**Chartered Accountants**
Firm's Registration No.: 015093S

N.S. SHASTRI & Co. ★ BANGALORE ★ CHARTERED ACCOUNTANTS

Signature
N S Shastri
(Proprietor)
Membership No. 037676

Place: Bengaluru
Date: 24 April 2019

**Greenpiece Landscapes India Private Limited**

| Balance Sheet | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| | | | *(Amount in Rs.)* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 20,02,613 | 26,72,876 |
| Other intangible assets | 4 | 45,292 | 2,67,424 |
| **Financial assets** | | | |
| (i) Non-current investments | 5 | 1,50,000 | 1,50,000 |
| (ii) Non-current loans | 6 | 6,44,701 | 5,79,194 |
| Deferred tax assets (net) | 7 | 2,20,11,118 | 1,35,50,015 |
| Income tax assets (net) | 7 | 58,84,225 | - |
| **Total non-current assets** | | **3,07,37,948** | **1,72,19,509** |
| **Current assets** | | | |
| Inventories | 8 | 5,08,54,877 | 3,27,51,893 |
| **Financial assets** | | | |
| (ii) Trade receivables | 9 | 10,51,60,154 | 15,18,28,365 |
| (iii) Cash and cash equivalents | 10 | 34,733 | 1,16,003 |
| (iv) Bank balances other than cash and cash equivalents above | 11 | 1,80,30,277 | 1,92,22,220 |
| (v) Current loans | 12 | 16,88,977 | 10,27,000 |
| (vi) Unbilled revenue | 13 | 5,56,16,104 | - |
| (vii) Other current financial assets | 14 | - | 10,32,621 |
| Other current assets | 15 | 53,90,006 | 52,21,410 |
| **Total current assets** | | **23,67,75,128** | **21,11,99,512** |
| **Total Assets** | | | |
| **Total assets** | | **26,75,13,076** | **22,84,19,021** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 16 | 78,00,000 | 78,00,000 |
| Share application money pending allotment | | - | - |
| Other equity | 17 | (4,30,80,605) | 2,19,71,034 |
| **Total equity attributable to equity holders of the Company** | | **(3,52,80,605)** | **2,97,71,034** |
| Non-controlling interests | | - | - |
| **Total equity** | | **(3,52,80,605)** | **2,97,71,034** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| **Financial liabilities** | | | |
| Non-current provisions | 18 | 33,44,942 | 28,33,875 |
| **Total non-current liabilities** | | **33,44,942** | **28,33,875** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Current borrowings | 19 | 15,20,04,335 | 4,97,91,875 |
| (ii) Trade payables | 20 | 8,63,36,421 | 7,85,15,106 |
| (iii) Other current financial liabilities | 21 | 1,16,86,571 | 1,79,70,650 |
| Income tax liabilities (net) | 22 | - | 6,55,713 |
| Current provisions | 23 | 34,81,265 | 30,85,684 |
| Other current liabilities | 24 | 4,59,40,147 | 4,57,95,087 |
| **Total current liabilities** | | **29,94,48,739** | **19,58,14,111** |
| **Total Liabilities** | | **30,27,93,681** | **19,86,47,986** |
| **Total Equity and Liabilities** | | **26,75,13,076** | **22,84,19,021** |

*The notes referred to above form an integral part of the consolidated financial statements*

*As per our report of even date attached*
*for **N S Shastri & Co.,***
Chartered Accountants
Firm's Registration No.: 015093S

**N S Shastri**
Proprietor
Membership No.: 037676

Place: Bengaluru
Date: 24 April 2019

N.S. SHASTRI & Co. BANGALORE CHARTERED ACCOUNTANTS

*for* and on behalf of the Board of Directors of
**Greenpiece Landscapes India Private Limited**

**Sunil De Sousa**
Director
DIN:01970458

Place: Bengaluru
Date: 24 April 2019

**Manoj Jain**
Director
DIN: 03275058

Place: Bengaluru
Date: 24 April 2019

Greenpiece Landscapes India Pvt. Ltd. Bangalore

**Greenpiece Landscapes India Private Limited**

*(Amount in Rs.)*

| Statement of profit and loss | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 25 | 33,46,64,593 | 31,62,59,564 |
| Other income | 26 | 28,07,134 | 30,12,086 |
| **Total income** | | **33,74,71,727** | **31,92,71,650** |
| **Expenses** | | | |
| Cost of material and stores and spare parts consumed | 27 | 19,38,01,284 | 12,59,29,396 |
| Employee benefit expenses | 28 | 9,65,48,889 | 9,05,91,839 |
| Finance costs | 29 | 1,16,55,787 | 66,87,759 |
| Depreciation and amortisation expenses | 30 | 27,47,831 | 11,19,753 |
| Other expenses | 31 | 6,36,55,696 | 9,34,65,375 |
| **Total expenses** | | **36,84,09,487** | **31,77,94,122** |
| **Profit before share of profit of equity accounted investees and income tax** | | **(3,09,37,760)** | **14,77,528** |
| Share of profit of equity accounted investees (net of income tax) | | - | - |
| **Profit before tax** | | **(3,09,37,760)** | **14,77,528** |
| **Tax credit/ (expense)** | | | |
| Current tax: Minimum Alternative Tax ('MAT') for the year | | - | (79,40,954) |
| Excess provision of tax relating to earlier years | | 1,11,671 | - |
| Deferred tax (including MAT credit entitlement) | 7 | 84,95,298 | 64,08,324 |
| **Total tax credit/ (expense)** | | **86,06,969** | **(15,32,630)** |
| **Profit for the year** | | **(2,23,30,791)** | **(55,102)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement Income on defined benefit plans | 40 | 1,22,915 | (47,313) |
| Share of other comprehensive income of equity accounted investees (net of income tax) | | - | - |
| Income tax relating to items that will not be reclassified to profit or loss | | (34,195) | 13,035 |
| **Total other comprehensive income for the year, net of income tax** | | **88,720** | **(34,278)** |
| **Total comprehensive income for the year** | | **(2,22,42,071)** | **(89,380)** |
| **Profit attributable to** | | | |
| Owners of the Company | | (2,23,30,791) | (55,102) |
| Non-controlling interests | | - | - |
| **Total profit for the year** | | **(2,23,30,791)** | **(55,102)** |
| **Other comprehensive income attributable to** | | | |
| Owners of the Company | | 88,720 | (34,278) |
| Non-controlling interests | | - | - |
| **Total other comprehensive income for the year** | | **88,720** | **(34,278)** |
| **Total comprehensive income attributable to :** | | | |
| Owners of the Company | | (2,22,42,071) | (89,380) |
| Non-controlling interests | | - | - |
| **Total comprehensive income for the year** | | **(2,22,42,071)** | **(89,380)** |
| **Earnings per equity share (face value of INR 10.00 each)** | | | |
| Basic (in INR) | 37 | (28.63) | (0.07) |
| Diluted (in INR) | 37 | (28.63) | (0.07) |

*The notes referred to above form an integral part of the consolidated financial statements.*

As per our report of even date attached
for *N S Shastri & Co.,*
Chartered Accountants
Firm's Registration No.: 015093S

*for* and on behalf of the Board of Directors of
**Greenpiece Landscapes India Private Limited**

N.S. SHASTRI & Co. BANGALORE CHARTERED ACCOUNTANTS

**N S Shastri**
Proprietor
Membership No.: 037676

Place: Bengaluru
Date: 24 April 2019

**Sunil De Sousa**
Director
DIN:01970458

Place: Bengaluru
Date: 24 April 2019

**Manoj Jain**
Director
DIN: 03275058

Place: Bengaluru
Date: 24 April 2019

Greenpiece Landscapes India Pvt. Ltd. Bangalore

**Greenpiece Landscapes India Private Limited**
**Statement of Cash Flows**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | (3,09,37,760) | 14,77,528 |
| Adjustment for Changes in Accounting Policy ( Ind AS 115) | (4,36,09,568) | - |
| **Adjustments for:** | | |
| Interest income on term deposits | (6,22,963) | (16,59,684) |
| Interest on income tax refunds | (5,67,383) | - |
| (Profit)/ Loss on sale of property, plant and equipment, net | - | 3,67,743 |
| Guarantee Expenses | 4,00,000 | - |
| Liabilities no longer required written back | (3,01,710) | (11,45,747) |
| Interest Expenses | 1,02,59,538 | 60,46,274 |
| Depreciation and amortisation expense | 27,47,831 | 11,19,753 |
| Provision for rent escalation | (16,098) | 16,098 |
| Impairment loss allowance on financial assets | (90,20,949) | 2,44,29,936 |
| Bad debts written off | 1,51,53,569 | 12,60,506 |
| **Operating cash flows before working capital changes** | **(5,65,15,494)** | **3,19,12,407** |
| **Changes in operating assets and liabilities** | | |
| (Increase) in inventories | (1,81,02,984) | (7,95,605) |
| (Increase)/ decrease in trade receivables | 4,05,35,591 | (10,27,05,796) |
| (Increase) in unbilled revenue | (5,56,16,104) | - |
| (Increase) in loans | (65,507) | - |
| (Increase) in current loans | (6,61,977) | 1,51,70,259 |
| Decrease in other current financial assets | 10,32,621 | - |
| (Increase) in other current assets | 2,31,404 | - |
| (Decrease) in trade payables | 81,23,025 | 5,04,71,143 |
| (Decrease) in other current financial liabilities | (62,67,981) | - |
| Increase in non-current and current provisions | 10,29,563 | 20,85,845 |
| Increase in other current liabilities | 1,45,064 | - |
| **Cash generated from operations** | **(8,61,32,779)** | **(38,61,747)** |
| Income taxes paid, net of refund | (64,28,267) | (83,00,303) |
| **Net cash provided by operating activities (A)** | **(9,25,61,045)** | **(1,21,62,050)** |
| **Cash flows from investing activities** | | |
| Expenditure on property, plant and equipment and intangibles, net of sale proceeds | (22,23,352) | (3,54,662) |
| Proceeds from sale of fixed assets | 3,67,916 | 1,99,289 |
| Bank deposits (having original maturity of more than three months) | 11,91,943 | 35,05,363 |
| Interest income on term deposits | 6,22,963 | 22,55,630 |
| Interest on IT Refund | 5,67,383 | - |
| **Net cash used in investing activities (B)** | **5,26,853** | **56,05,620** |
| **Cash flows from financing activities** | | |
| **Proceeds from/ (repayment of) vehicle loan, net** | | |
| Proceeds from term loans | 5,72,12,459 | 1,25,11,094 |
| Loans received from/ (repayment to) related parties | 4,50,00,000 | - |
| Interest paid | (1,02,59,538) | (60,46,274) |
| **Net cash provided by financing activities (C)** | **9,19,52,922** | **64,64,820** |
| Net increase in cash and cash equivalents (A+B+C) | (81,270) | (91,610) |
| Cash and cash equivalents at the beginning of the year | 1,16,003 | 2,07,613 |
| Effect of exchange rate fluctuations on cash and cash equivalents | - | - |
| **Cash and cash equivalents at the end of the year* (refer note 10)** | **34,733** | **1,16,003** |

* Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Greenpiece Landscapes India Pvt. Ltd.
Bangalore

**Components of cash and cash equivalents (refer note 10)**

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Cash and cash equivalents* | | |
| Cash in hand | 20,656 | 41,275 |
| Cheque in hand | | |
| Balances with banks | | |
| In current accounts | 14,077 | 74,728 |
| In EEFC accounts | | |
| In deposit accounts (with original maturity of less than 3 months) | | |
| **Cash and cash equivalents in consolidated balance sheet** | **34,733** | **1,16,003** |
| Bank overdraft used for cash management purpose | | |
| **Cash and cash equivalent in the consolidated statement of cash flow** | **34,733** | **1,16,003** |

As per our report of even date attached

*for* **N S Shastri & Co.,**
Chartered Accountants
Firm's Registration No.: 015093S

**N S Shastri**
Proprietor
Membership No.: 037676

Place: Bengaluru
Date: 24 April 2019

N.S. SHASTRI & Co. ★ BANGALORE ★ CHARTERED ACCOUNTANTS

*for* and on behalf of the Board of Directors of
**Greenpiece Landscapes India Private Limited**

**Sunil De Sousa**
Director
DIN:01970458

Place: Bengaluru
Date: 24 April 2019

**Manoj Jain**
Director
DIN: 03275058

Place: Bengaluru
Date: 24 April 2019

Greenpiece Landscapes India Pvt. Ltd. Bangalore

**Greenpiece Landscapes India Private Limited**
**Statement of Changes in Equity for the year ended 31 March 2019**

**(A) Equity share capital**

(Amount in Rs.)

| Particulars | Note | 31 March 2018 |
|---|---|---|
| Opening balance | 16 | 78,00,000 |
| Changes in equity share capital | 16 | - |
| **Closing balance** | | **78,00,000** |

**(B) Other equity**

(Amount in Rs.)

| | Reserves & Surplus | | Other reserves | Other Comprehensive Income | Total attributable to equity holders of the Company |
|---|---|---|---|---|---|
| | Retained earnings | General reserve | | Remeasurement of the net defined benefit | |
| **Balance as of 1 April 2017** | **1,98,46,804** | **19,26,309** | - | **2,87,301** | **2,20,60,414** |
| **Total comprehensive income for the year ended 31 March 2018** | | | | | |
| Profit for the year | (55,102) | - | - | - | (55,102) |
| Other comprehensive income (net of tax) | - | - | | (34,278) | (34,278) |
| **Total comprehensive income** | **(55,102)** | - | - | **(34,278)** | **(89,380)** |
| **Balance as at 31 March 2018** | **1,97,91,702** | **19,26,309** | - | **2,53,023** | **2,19,71,034** |

| Particulars | Note | Reserves & Surplus | | Other reserves | Other Comprehensive Income | Total attributable to equity holders of the Company |
|---|---|---|---|---|---|---|
| | | Retained earnings | General reserve | | Remeasurement of the net defined benefit liability/asset | |
| **Balance as of 1 April 2018** | | **1,97,91,702** | **19,26,309** | - | **2,53,023** | **2,19,71,034** |
| **Total comprehensive income for the year ended 3** | 44 | | | | | |
| Profit for the year | | (2,23,30,791) | - | - | | (2,23,30,791) |
| Changes in accounting policy | | (4,36,09,568) | | | | (4,36,09,568) |
| Other comprehensive income (net of tax) | | - | - | | 88,720 | 88,720 |
| Add: Fair value of financial guarantee received | | | | 8,00,000 | | 8,00,000 |
| **Total comprehensive income** | | **(6,59,40,359)** | - | **8,00,000** | **88,720** | **(6,50,51,639)** |
| **Balance as of 31 March 2019** | | **(4,61,48,657)** | **19,26,309** | **8,00,000** | **3,41,743** | **(4,30,80,605)** |

The notes referred to above form an integral part of the consolidated financial statements.

As per our report of even date attached
for *N S Shastri & Co.,*
Chartered Accountants
Firm's Registration No.: 015093S

N.S. SHASTRI & Co. ★ BANGALORE ★ CHARTERED ACCOUNTANTS

**N S Shastri**
Proprietor
Membership No.: 037676

Place: Bengaluru
Date: 24 April 2019

*for* and on behalf of the Board of Directors of
**Greenpiece Landscapes India Private Limited**

**Sunil De Sousa**
Director
DIN:01970458

Place: Bengaluru
Date: 24 April 2019

**Manoj Jain**
Director
DIN: 03275058

Place: Bengaluru
Date: 24 April 2019

Greenpiece Landscapes India Pvt. Ltd. ★ Bangalore

## 5 Non Current Investments

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest in NSC Bond | 1,50,000 | 1,50,000 |
| | **1,50,000** | **1,50,000** |

## 6 Non current loans

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unsecured - Considered good | | |
| Security deposits | 6,44,701 | 5,79,194 |
| | **6,44,701** | **5,79,194** |

## 7 Taxes

### A Amount recognised in profit or loss

(Amount in Rs.)

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| ***Current tax:*** | | |
| In respect of the current period | - | 79,40,954 |
| Excess provision related to prior years | (1,11,671) | - |
| ***Deferred tax:*** | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | (84,95,298) | (64,08,324) |
| **Income tax expense reported in the Statement of Profit and Loss** | **(86,06,969)** | **15,32,630** |

### B Income tax recognised in other comprehensive income

(Amount in Rs.)

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | 1,22,915 | (47,313) |
| Tax (expense)/ benefit | (34,195) | 13,035 |
| **Net of tax** | **88,720** | **(34,278)** |

### D Reconciliation of effective tax rate

(Amount in Rs.)

| Particulars | For the year ended 31 March 2019 | | For the year ended 31 March 2018 | |
|---|---|---|---|---|
| | Rate | Amount | Rate | Amount |
| Profit before tax | | (3,09,37,760) | | 14,77,528 |
| Tax using the Company's domestic tax rate | 27.82% | (86,06,885) | 27.55% | 4,07,096 |
| **Effect of:** | | | | |
| Non-deductible expenses | -0.41% | 1,25,446 | 10% | 1,48,408 |
| Difference in enacted tax rate | 0.43% | (1,31,557) | 66% | 9,77,126 |
| Others | -0.38% | 1,17,523 | - | - |
| **Effective tax rate** | **27.46%** | **(84,95,474)** | **0.00%** | **15,32,630** |
| Excess provisions relating to earlier years | - | **1,11,495** | 0.00% | - |
| **Income tax credit/(expense) reported in the Statement of Profit and Loss** | **-27.82%** | **86,06,969** | **0.00%** | **(15,32,630)** |

### E The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018

**Non-current tax assets (net)**

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 58,84,225 | - |
| **Net income tax assets at the end of the year** | **58,84,225** | - |

### F Deferred tax assets, net

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax assets:** | | |
| Impairment loss allowance on financial assets | 85,44,173 | 1,15,98,412 |
| Provision on employee benefits- Gratuity | 18,99,051 | 16,30,987 |
| Provision on other employee benefits, if any | 23,99,924 | - |
| Provision for bonus | 9,07,593 | - |
| Provision for rent escalation | - | 4,435 |
| Deffered tax on fixed assets | 7,37,299 | 2,23,211 |
| Deferred Tax others | 75,23,077 | 1,82,970 |
| **Deferred tax assets** | **2,20,11,118** | **1,35,50,015** |

Greenpiece Landscapes India Pvt. Ltd. Bangalore

**G Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Rs.)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | 1,15,08,412 | - | (29,64,239) | - | 85,44,173 |
| Provision on employee benefits- Gratuity | 16,30,987 | - | 3,02,259 | (34,195) | 18,99,051 |
| Provision on other employee benefits, if any | - | | 23,99,924 | - | 23,99,924 |
| Provision for bonus | - | - | 9,07,593 | - | 9,07,593 |
| Provision for rent escalation | 4,435 | - | (4,435) | - | - |
| Fixed assets | 2,23,211 | - | 5,14,088 | - | 7,37,299 |
| Others | 1,82,970 | - | 73,40,107 | - | 75,23,077 |
| | **1,35,50,015** | - | **84,95,298** | **(34,195)** | **2,20,11,118** |
| **Deferred tax assets/(liabilities)** | **1,35,50,015** | - | **84,95,298** | **(34,195)** | **2,20,11,118** |

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | 55,41,731 | - | 59,66,681 | - | 1,15,08,412 |
| Provision for employee benefits | 12,10,169 | - | 4,07,783 | 13,035.00 | 16,30,987 |
| Provision for rent escalation | - | - | 4,435 | - | 4,435 |
| Fixed assets | 30,620 | - | 1,92,591 | - | 2,23,211 |
| Others | 3,46,136 | - | (1,63,166) | - | 1,82,970 |
| | **71,28,656** | - | **64,08,324** | **13,035** | **1,35,50,015** |
| **Deferred tax assets/(liabilities)** | **71,28,656** | - | **64,08,324** | **13,035** | **1,35,50,015** |

**8 Inventories**

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Valued at lower of cost and net realizable value* | | |
| Raw material and consumables | 5,08,54,877 | 3,27,51,893 |
| | **5,08,54,877** | **3,27,51,893** |

**9 Trade receivables**

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured** | | |
| Considered good | 12,61,48,006 | 16,76,25,254 |
| Considered doubtful | 97,24,490 | 2,59,72,142 |
| | **13,58,72,496** | **19,35,97,396** |
| ***Loss allowance [refer note 33]*** | | |
| Doubtful | (97,24,490) | (1,57,96,889) |
| Unsecured considered good | (2,09,87,852) | (2,59,72,142) |
| | **(3,07,12,342)** | **(4,17,69,031)** |
| **Net trade receivables** | **10,51,60,154** | **15,18,28,365** |

All trade receivables are current.

The Company exposure to credit risk and loss allowances related to trade receivables are disclosed in Note 33.

**10 Cash and cash equivalents**

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Cash in hand | 20,656 | 41,275 |
| Balances with banks | | |
| In current accounts | 14,077 | 74,728 |
| **Cash and cash equivalents in balance sheet** | **34,733** | **1,16,003** |
| **Cash and cash equivalent in the statement of cash flow** | **34,733** | **1,16,003** |

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## 11 Bank balances other than cash and cash equivalents

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In deposit accounts (mature within 12 months from the reporting date) | 1,80,30,277 | 1,92,22,220 |
| | **1,80,30,277** | **1,92,22,220** |

## 12 Current loans

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured Considered good** | | |
| Security deposits | 13,56,500 | 10,27,000 |
| | 13,56,500 | 10,27,000 |
| *Other loans and advances* | | |
| Loans to related parties (refer note 38) | 3,32,477 | - |
| | **16,88,977** | **10,27,000** |

## 13 Unbilled revenue

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue* | 5,56,16,104 | - |
| | **5,56,16,104** | - |

## 14 Other current financial assets

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest accrued but not due | - | 10,32,621 |
| | - | **10,32,621** |

## 15 Other current assets

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Advances other than capital advances*** | | |
| Prepaid expenses | 7,23,244 | 6,19,041 |
| Salary Advance | 20,000 | 400 |
| Advances to suppliers | - | 37,51,760 |
| Travel advances to employees | 1,26,353 | 1,20,652 |
| Balances with government authorities | 35,82,005 | - |
| Other advances | 1,91,848 | - |
| Security Deposits - Govt | 1,34,200 | 1,17,200 |
| ESI payments made under protest | 6,12,357 | 6,12,357 |
| | **53,90,006** | **52,21,410** |

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Bangalore

**16 Equity share capital**

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 8,00,000 (31 March 2018: 7,80,000) equity shares of par value of Rs 10 each | 80,00,000 | 80,00,000 |
| | **80,00,000** | **80,00,000** |
| **Issued, subscribed and paid-up** | | |
| 7,80,000 (31 March 2018: 7,80,000) equity shares of par value of Rs 10 each, fully paid up | 78,00,000 | 78,00,000 |
| | **78,00,000** | **78,00,000** |

**16.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs. | Number of shares | Amount in Rs. |
| **Equity shares** | | | | |
| At the commencement of the year | 7,80,000 | 78,00,000 | 7,80,000 | 78,00,000 |
| Add: Shares issued during the year | - | - | - | - |
| At the end of the year | **7,80,000** | **78,00,000** | **7,80,000** | **78,00,000** |

**16.2 Rights, preferences and restrictions attached to equity shares**

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. On winding up of the Company, the holders of the equity shares will be entitled to receive the residual assets of the Company, after distribution of all preferential amounts (if any) in proportion to the number of equity shares held.

**16.3 Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % held | Number of shares | % held |
| **Equity shares** | | | | |
| Quess Corp Limited | 7,02,000 | 70,20,000 | - | - |
| Sunil De Sousa | 78,000 | 7,80,000 | 4,22,240 | 54% |
| Manuela De Sousa | - | - | 52,000 | 7% |
| Kyra De Sousa | - | - | 1,01,920 | 13% |
| Shazia De Sousa | - | - | 1,01,920 | 13% |
| Farhad De Sousa | - | - | 1,01,920 | 13% |
| | **7,80,000** | **78,00,000** | **7,80,000** | **100%** |

**17 Other equity***

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| General reserve account | 19,26,309 | 19,26,309 |
| Other comprehensive income (refer note 17.1) | 3,41,743 | 2,53,023 |
| Other Equity- Corporate Guarantee | 8,00,000 | - |
| Retained earnings | (4,61,48,657) | 1,97,91,702 |
| | **(4,30,80,605)** | **2,19,71,034** |

* For detailed movement of reserves refer Statement of Changes in Equity.

**17.1 Other comprehensive income**

Remeasurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income)

**18 Non-current provisions**

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 40) | 33,44,942 | 28,33,875 |
| | **33,44,942** | **28,33,875** |

**19 Current borrowings**

(Amount in Rs.)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Loans from bank repayable on demand** | | |
| *Secured* | | |
| Cash credit and overdraft facilities (refer note 19.1 & 19.2) | 10,70,04,335 | 4,97,91,875 |
| ***Loan from related parties, unsecured*** | | |
| - Quess Corp Limited (refer note 19.3) | 4,50,00,000 | - |
| | **15,20,04,335** | **4,97,91,875** |

Information about the Company exposure to interest rate and liquidity risk is included in note 3

Greenpiece Landscapes India Pvt. Ltd. Bangalore

**19.1** The Company has taken Overdraft facilities having interest rates ranging from MCLR+2.25%. These facilities are repayable on demand and are secured primarily by way of pari passu first charge on the Movable assets, current assets of the Company on both present and future and collateral by way of pari passu first charge on the certain Imovable assets of the Director and personal gurantee by Directors .

**19.2** The Company has taken bill Cashcredit and Bank Gurantee facilities from banks(YES Bank) having interest rate of 6 months MCLR ie., 9.45% p.a. These facilities are repayable on demand and are secured primarily by way of pari passu first charge on the certain current and movable assets of the Company on both present and future and Corporate Gurantee by Holding Company(Quess Corp limited).

**19.3** The Company has taken working capital loan from Holding Compnay(Quess Corp Limited) having interest rate as per 10 year Indian Government Bond rate.

## 20 Trade payables

*(Amount in Rs.)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Dues to micro, small and medium enterprises (refer note 42) | - | - |
| Trade payables to related parties (refer note 38) | 67,74,177 | - |
| Other trade payables | 7,95,62,245 | 7,85,15,106 |
| | **8,63,36,421** | **7,85,15,106** |

The Company exposure to liquidity risk related to trade payables is disclosed in note 33.

## 21 Other current financial liabilities

*(Amount in Rs.)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Amount payable to related parties (refer note 38) | 26,96,453 | 75,67,577 |
| ***Other Payables*** | | |
| Accrued salaries and benefits | 57,27,741 | 69,92,851 |
| Provision for bonus and incentive | 32,62,377 | 34,10,222 |
| | **1,16,86,571** | **1,79,70,650** |

(i) The Company exposure to liquidity risk related to other current financial liabilities is disclosed in note 33.

Greenpiece Landscapes India Pvt. Ltd.
Bangalore

## 22 Income tax liabilities

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Provision for tax (net of advance tax) (refer note 7) | | 6,55,713 |
| | - | 6,55,713 |

## 23 Current provisions

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 40) | 34,81,265 | 30,85,684 |
| | 34,81,265 | 30,85,684 |

## 24 Other current liabilities

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income received in advance | - | 3,62,250 |
| Advance received from customers | 2,27,63,888 | 2,92,39,910 |
| Balances payable to government authorities | 1,11,50,673 | 1,54,71,811 |
| Provision for expenses | 1,20,25,586 | 7,05,014 |
| Provision for rent escalation | - | 16,098 |
| | 4,59,40,147 | 4,57,95,083 |

Greenpiece Landscapes India Pvt. Ltd.
Bangalore

25 **Revenue from operations**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Revenue from Projects** | | |
| - Landscape & Softscape Income | 28,28,47,174 | 26,04,22,513 |
| **Total revenue from Projects** | **28,28,47,174** | **26,04,22,513** |
| **Revenue from Service** | | |
| - Maintenance Income | 4,78,95,419 | 4,41,38,631 |
| - Consultancy Income | 39,22,000 | 1,16,98,421 |
| **Total revenue from Service** | **5,18,17,419** | **5,58,37,051** |
| | **33,46,64,593** | **31,62,59,564** |

26 **Other income**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest income under the effective interest method on: | | |
| Deposits with banks | 6,22,963 | 16,59,684 |
| Interest income from financial assets at amortised cost | 65,507 | - |
| Interest on tax refunds due | 5,67,383 | 32,413 |
| Liabilities no longer required written back | 3,01,710 | 11,45,747 |
| Bad debts recovered | 11,89,992 | - |
| Miscellaneous income | 59,580 | 1,74,242 |
| | **28,07,134** | **30,12,086** |

27 **Cost of material and stores and spare parts consumed**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Inventory at the beginning of the year | 3,27,51,893 | 3,19,56,288 |
| Add: Purchases | 21,19,04,268 | 12,67,25,000 |
| Less: Inventory at the end of the year | 5,08,54,877 | 3,27,51,893 |
| **Cost of materials and stores and spare parts consumed** | **19,38,01,284** | **12,59,29,396** |

28 **Employee benefits expenses**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and wages | 7,66,17,527 | 7,00,55,496 |
| Contribution to provident and other funds | 1,61,43,237 | 1,51,40,219 |
| Expenses related to post-employment defined benefit plan | 20,29,563 | 20,85,845 |
| Staff welfare expenses | 17,58,562 | 33,10,279 |
| | **9,65,48,889** | **9,05,91,839** |

29 **Finance costs**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest Expenses | 1,02,59,538 | 60,46,274 |
| Other borrowing costs | 13,96,249 | 6,41,485 |
| | **1,16,55,787** | **66,87,759** |

30 **Depreciation and amortisation expense**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 25,25,699 | 8,97,621 |
| Amortisation of intangible assets (refer note 4) | 2,22,132 | 2,22,132 |
| | **27,47,831** | **11,19,753** |

Greenpiece Landscapes India Pvt. Ltd.
Bangalore

## 31 Other expenses

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Books and Periodicals | - | 1,700 |
| Recruitment and training expenses | 23,474 | 3,53,946 |
| Rent (refer note 31.1) | 71,17,725 | 54,78,650 |
| Power and Fuel | 2,19,907 | 5,45,735 |
| Repairs & maintenance | | |
| - plant and machinery | 25,68,115 | 30,68,966 |
| Legal and professional fees (refer note 31.2) | 33,36,736 | 27,09,763 |
| Rates and taxes | 12,60,729 | 44,71,469 |
| Labour Charges | 2,08,66,160 | 2,93,08,000 |
| Printing and stationery | 6,73,095 | 6,58,761 |
| Travelling and conveyance | 50,09,938 | 51,12,196 |
| Communication expenses | 7,38,294 | 9,80,754 |
| Transportation Charges | 48,57,104 | 63,68,041 |
| Loss allowance on financial assets, net [refer note 33] | (90,20,949) | 2,44,29,936 |
| Equipment hire charges | 81,07,592 | 54,33,196 |
| Insurance | 8,79,577 | - |
| Office expenses | 3,32,473 | 2,79,561 |
| Commission and Brokerage | 94,000 | 13,93,190 |
| Postage and Courier | 68,902 | 73,067 |
| Interest Expenses - Others | 2,87,452 | 8,11,019 |
| Software renewal charges | - | 16,994 |
| Bank charges | 10,81,804 | 3,16,409 |
| Bad debts written off | 1,51,53,569 | 12,60,506 |
| Business promotion and advertisement expenses | - | 25,773 |
| Loss on sale of fixed assets, net | - | 3,67,743 |
| | **6,36,55,696** | **9,34,65,375** |

### 31.1 Rent

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Rent on Plant and Machinery | 6,69,605 | - |
| Rent-Project | 51,65,698 | 46,54,579 |
| Rent-Office | 12,82,422 | 8,24,071 |
| | **71,17,725** | **54,78,650** |

### 31.2 Payment to auditors (net of GST; included in legal and professional fees)

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 2,25,000 | 2,25,000 |
| Tax audit fees | 25,000 | 25,000 |
| | **2,50,000** | **2,50,000** |

Greenpiece Landscapes India Pvt. Ltd.
Bangalore

**Greenpiece Landscapes India Private Limited**
**Notes to financial Statements for the year ended 31 March 2019**

**3 Property, plant and equipment**

| Particulars | Furniture & Fixtures | Computer | Office Equipments | Plant & Machinery | Vehicles | Total |
|---|---|---|---|---|---|---|
| **Balance as at 01 April 2017** | **5,58,428** | **6,22,498** | **5,47,326** | **21,98,138** | **9,23,884** | **48,50,274** |
| Additions during the Year | 15,852 | 1,56,482 | - | 1,82,328 | - | 3,54,662 |
| Disposals for the Year | - | 38,369 | 2,18,819 | - | 5,84,786 | 8,41,974 |
| **Balance as at 31 March 2018** | **5,74,280** | **7,40,611** | **3,28,507** | **23,80,466** | **3,39,098** | **43,62,962** |
| Additions during the Year | 8,43,128 | 3,70,355 | 1,53,300 | 8,56,569 | - | 22,23,352 |
| Disposals for the Year | 3,23,707 | 30,209 | - | 14,000 | - | 3,67,916 |
| **Balance as at 31 March 2019** | **10,93,701** | **10,80,757** | **4,81,807** | **32,23,035** | **3,39,098** | **62,18,398** |
| **Accumulated depreciation** | | | | | | |
| **Balance as at 01 April 2017** | 1,93,240 | 2,73,622 | 62,181 | 2,99,170 | 2,39,194 | 10,67,407 |
| Depreciation for the Year | 95,360 | 3,08,743 | 1,44,653 | 1,99,013 | 1,49,852 | 8,97,621 |
| Accumulated depreciation on deletions | - | 13,347 | 44,101 | - | 2,17,494 | 2,74,942 |
| **Balance as at 31 March 2018** | **2,88,600** | **5,69,018** | **1,62,733** | **4,98,183** | **1,71,552** | **16,90,086** |
| Depreciation for the Year | 1,91,902 | 1,99,362 | 52,086 | 3,54,609 | - | 7,97,959 |
| Depreciation Adjustment-Change in Policy | 1,07,090 | -84,048 | 2,565 | 15,34,587 | 1,67,546 | 17,27,740 |
| Accumulated depreciation on deletions | - | - | - | - | - | - |
| **Balance as at 31 March 2019** | **5,87,592** | **6,84,332** | **2,17,384** | **23,87,379** | **3,39,098** | **42,15,785** |
| **Net Carrying Amount** | | | | | | |
| **As at 31 March 2019** | **5,06,109** | **3,96,425** | **2,64,423** | **8,35,656** | - | **20,02,613** |
| **As at 31 March 2018** | **2,85,680** | **1,71,593** | **1,65,774** | **18,82,283** | **1,67,546** | **26,72,876** |

There has been no Impairment losses recognised during the year or previous year

**4 Intangible asset**

| Particulars | Intangible Asset | TOTAL |
|---|---|---|
| **Balance as at 01 April 2017** | - | - |
| Additions during the Year | 6,66,396 | 6,66,396 |
| Disposals for the Year | - | - |
| **Balance as at 31 March 2018** | **6,66,396** | **6,66,396** |
| Additions during the Year | - | - |
| Disposals for the Year | - | - |
| **Balance as at 31 March 2019** | **6,66,396** | **6,66,396** |
| **Accumulated Amortisation** | | |
| **Balance as at 01 April 2017** | 1,76,840 | 1,76,840 |
| Amortisation for the Year | 2,22,132 | 2,22,132 |
| Accumulated Amortisation on deletions | - | - |
| **Balance as at 31 March 2018** | **3,98,972** | **3,98,972** |
| Amortisation for the Year | 2,22,132 | 2,22,132 |
| Accumulated Amortisation on deletions | - | - |
| **Balance as at 31 March 2019** | **6,21,104** | **6,21,104** |
| **Net Carrying Amount** | | |
| **As at 31 March 2019** | **45,292** | **45,292** |
| **As at 31 March 2018** | **2,67,424** | **2,67,424** |

There has been no Impairment losses recognised during the year or previous year

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**32 Financial instruments - fair value and risk management**
**Financial instruments by category**

*(Amount in Rs.)*

| Particulars | Note | 31 March 2019 FVTPL | 31 March 2019 FVTOCI | 31 March 2019 Amortised Cost | 31 March 2018 FVTPL | 31 March 2018 FVTOCI | 31 March 2018 Amortised Cost |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | |
| Non-current investments | 5 | - | - | 1,50,000 | - | - | 1,50,000 |
| Loans | 6 & 12 | - | - | 23,33,678 | - | - | 16,06,194 |
| Trade receivables | 9 | - | - | 10,51,60,154 | - | - | 15,18,28,365 |
| Cash and cash equivalents including other bank balanc | 10 & 11 | - | - | 1,80,65,010 | - | - | 1,93,38,223 |
| Unbilled revenue | 13 | - | - | 5,56,16,104 | - | - | - |
| Other financial assets | 14 | - | - | - | - | - | 10,32,621 |
| **Total financial assets** | | - | - | **18,13,24,945** | - | - | **17,39,55,403** |
| **Financial liabilities:** | | | | | | | |
| Borrowings | 19 | - | - | 15,20,04,335 | - | - | 4,97,91,875 |
| Trade payables | 20 | - | - | 8,63,36,421 | - | - | 7,85,15,106 |
| Other current financial liabilities | 21 | - | - | 1,16,86,571 | - | - | 1,79,70,650 |
| **Total financial liabilities** | | - | - | **25,00,27,327** | - | - | **14,62,77,631** |

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:
a) recognised and measured at fair value
b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

*(Amount in Rs.)*

| Particulars | Note | Carrying Amount 31 March 2019 | Fair Value Level 1 | Fair Value Level 2 | Fair Value Level 3 |
|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | |
| Non-current investments | 5 | 1,50,000 | | | |
| Loans | 6 & 12 | 23,33,678 | - | - | - |
| Trade receivables | 9 | 10,51,60,154 | - | - | - |
| Cash and cash equivalent including other bank balance | 10 & 11 | 1,80,65,010 | - | - | - |
| Unbilled revenue | 13 | 5,56,16,104 | | | |
| **Total financial assets** | | **18,13,24,945** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | | |
| Borrowings | 19 | 15,20,04,335 | - | - | - |
| Trade payables | 20 | 8,63,36,421 | - | - | - |
| Other financial liabilities | 21 | 1,16,86,571 | - | - | - |
| **Total financial liabilities** | | **25,00,27,327** | - | - | - |

**Financial instruments - fair value and risk management**

*(Amount in Rs.)*

| Particulars | Note | Carrying Amount 31 March 2018 | Fair Value Level 1 | Fair Value Level 2 | Fair Value Level 3 |
|---|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | | |
| Non-current investments | 5 | 150000 | | | |
| Loans | 6 & 12 | 16,06,194 | - | - | - |
| Trade receivables | 9 | 15,18,28,365 | - | - | - |
| Cash and cash equivalent including other bank balance | 10 & 11 | 1,93,38,223 | - | - | - |
| Unbilled revenue | 13 | - | - | - | - |
| Other financial assets | 14 | 10,32,621 | | | |
| **Total financial assets** | | **17,39,55,403** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | | |
| Borrowings | 19 | 4,97,91,875 | - | - | - |
| Trade payables | 20 | 7,85,15,106 | - | - | - |
| Other financial liabilities | 21 | 1,79,70,650 | - | - | - |
| **Total financial liabilities** | | **14,62,77,631** | - | - | - |

**Fair value hierarchy**

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference securities, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference securities and non-convertible debentures included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

**A Financial Assets:**

1 The Company has not disclosed the fair values of non current investments, loans, trade receivables, cash and cash equivalents including other bank balances and unbilled revenue because their carrying values are a reasonable approximation of their fair value.

**B Financial Liabilities**

1 **Borrowings**: It includes cash credit and overdraft facilities. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the overdraft is reset on a monthly/quarterly basis, the carrying amount of the overdraft would be a reasonable approximation of its fair value.

2 **Trade payables and other financial liabilities**: Fair values of trade payables and other liabilities are measured at carrying value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to their carrying values.

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**33 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk.

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The management is assisted in its oversight role by internal auditors. Internal Audit function includes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the management.

**i) Credit Risk**

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by its customers. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three Months for customers. The Company does not have trade receivables for which no loss allowance is recognised.

**Expected credit loss assessment for corporate.customers as at 31 March 2018 and 31 March 2019 are as follows:**

The Company uses an allowance matrix to measure the expected credit loss of trade receivables from customers. Based on industry practices and the business environment which the entity operates, the management considers that trade receivables are in default(Credit impaired), if the payments are more than 270 days past due.Loss rates are based on actual credit loss experience over last eight quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables

**The following table provides information about the credit risk and expected credit loss for trade receivables from customers**

**As at 31 March 2019**

*(Amount in Rs.)*

| Particulars | Gross Carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not Due | 7,95,76,021 | 2.47% | 19,63,201 | No | 7,76,12,820 |
| Past due 1-90 days | 2,41,29,569 | 18.33% | 44,22,451 | No | 1,97,07,118 |
| Past due 91-180 days | 99,45,000 | 31.62% | 31,45,035 | No | 67,99,965 |
| Past due 181-270 days | 12,34,053 | 15.70% | 1,93,803 | No | 10,40,250 |
| Past due 271-365 days | 45,07,741 | 100.00% | 45,07,741 | Yes | - |
| Above 365 days | 1,64,80,111 | 100.00% | 1,64,80,111 | Yes | - |
| | **13,58,72,496** | | **3,07,12,342** | | **10,51,60,154** |

**As at 31 March 2018**

*(Amount in Rs.)*

| Particulars | Gross Carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not Due | 12,06,29,242 | 4.46% | 53,80,064 | No | 11,52,49,178 |
| Past due 1-90 days | 3,24,10,682 | 18.31% | 59,34,907 | No | 2,64,75,775 |
| Past due 91-180 days | 35,76,424 | 35.11% | 12,55,682 | No | 23,20,742 |
| Past due 181-270 days | 1,87,35,366 | 58.46% | 1,09,52,695 | No | 77,82,671 |
| Past due 271-365 days | 1,43,71,380 | 100% | 1,43,71,380 | Yes | - |
| Above 365 days | 38,74,302 | 100% | 38,74,302 | Yes | - |
| | **19,35,97,396** | | **4,17,69,031** | | **15,18,28,365** |

**Financial risk management**

Movement in allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade and other receivables during the year is as follows

*(Amount in Rs.)*

| Particulars | 31-Mar-19 | 31-Mar-18 |
|---|---|---|
| **Balance as at the beginning of the year** | **4,17,69,031** | **1,73,39,095** |
| Impairment loss recalculated after adopting Ind AS 115 | (20,35,740) | - |
| Impairment loss allowance recognised | (90,20,949) | 2,44,29,936 |
| **Balance as at the end of the year** | **3,07,12,342** | **4,17,69,031** |

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually, the excess of funds is invested in fixed deposits. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

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**a) Financing arrangement**

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019**

*(Amount in Rs.)*

| Particulars | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **0-1 years** | **1-2 years** | **2-5 years** | **5 years and above** |
| Trade payables | 8,63,36,421 | 8,63,36,421 | - | - | - |
| Other financial liabilities | 1,16,86,571 | 1,16,86,571 | - | - | - |

**As at 31 March 2018**

*(Amount in Rs.)*

| Particulars | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **0-1 years** | **1-2 years** | **2-5 years** | **5 years and above** |
| Trade payables | 7,85,15,106 | 7,85,15,106 | - | - | - |
| Other financial liabilities | 1,79,70,650 | 1,79,70,650 | - | - | - |

The Company maintains the following line of credit:

**(i) Bank of Baroda -**

The Company has taken cash credit and overdraft facilities having interest rate ranging 2.25% over one year MCLR plus Strategic premium ie., 10.85% p.a.at present with monthly rest subject to change in MCLR/Credit rating annually.. These facilities are repayable on demand and are secured primarily by way of pair passu first charge on the entire current assets of the Company on both present and future and collateral by way of pari passu first charge on the entire movable assets of the Company (excluding charge on vehicles/equipments purchased /to be purchased under lease agreements/ hire purchase agreements) both present and future of the Company.

**(ii) Yes Bank -**

The Company has taken bill Cashcredit and Bank Guarantee facilities from banks(YES Bank) having interest rate of 6 months MCLR ie., 9.45% p.a. These facilities are repayable on demand and are secured primarily by way of pari passu first charge on the certain current and movable assets of the Company on both present and future and Corporate Guarantee by Holding Company(Quess Corp limited).

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**i) Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currency of the Company. The Company is not exposed to significant currency risk as majority of the transactions are primarily denominated in Indian Rupees ("`"), which is the national currency of India.

**ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The borrowings includes cash credit facilities facilities which carries variable rate of interest.

**34 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current The Company's policy is to keep the ratio below 2.50. The Company's adjusted net debt to equity ratio is as follows:

*(Amount in Rs.)*

| Particulars | As at '31 March 2019 | As at '31 March 2018 |
|---|---|---|
| Gross debt | 15,20,04,335 | 4,97,91,875 |
| Less: Cash and cash equivalents | 1,80,65,010 | 1,93,38,223 |
| **Adjusted net debt** | **13,39,39,325** | **3,04,53,652** |
| Total equity | (3,52,80,605) | 2,97,71,034 |
| Less: Effective portion of cash flow hedges and cost of hedging | | |
| **Equity** | **(3,52,80,605)** | **2,97,71,034** |
| **Net debt to equity ratio** | **(3.80)** | **1.02** |

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**35 Capital commitments**

The Company does not have any capital commitments.

**36 Contingent liabilities and commitments (to the extent not provided for)**

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Employee State Insurance [refer note (_i_)] | 24,49,428 | 24,49,428 |
| | **24,49,428** | **24,49,428** |

(i) Pending resolution of the respective proceedings, it is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above as it is determinable only on receipt of judgements/decisions pending with various forums/authorities.

(ii) The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect outcome of these proceedings to have a material adverse effect on its financial position.

The Payment of Bonus (Amendment) Act, 2015 (hereinafter referred to as the Amendment Act, 2015) has been enacted on 31 December 2015, according to which the eligibility criteria of salary or wages has been increased from ` 10,000 per month to ` 21,000 per month (Section 2(13)) and the ceiling for computation of such salary or wages has been increased from ` 3,500 per month to ` 7,000 per month or the minimum wage for the scheduled employment, as fixed by the appropriate government, whichever is higher. The reference to scheduled employment has been linked to the provisions of the Minimum Wages Act, 1948. The Amendment Act, 2015 is effective retrospectively from 1 April 2014. Based on the same, the Company has computed the bonus for the year ended 31 March 2019 and 31 March 2018 aggregating to ` 27,18,786/ and ` 22,40,421/ respectively.

**37 Earnings per share**

*(Amount in Reporting Currency except number of shares and per share data)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares (amount per share) | 10 | 10 |
| Net profit after tax for the purpose of earnings per share | (2,23,30,791) | (55,102) |
| Weighted average number of shares used in computing basic earnings per share | 7,80,000 | 7,80,000 |
| **Basic earnings per share** | **(28.63)** | **(0.07)** |
| Weighted average number of shares used in computing diluted earnings per share | 7,80,000 | 7,80,000 |
| **Diluted earnings per share** | **(28.63)** | **(0.07)** |

**Computation of weighted average number of shares**

*(Amount in numbers)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Number of equity shares outstanding at beginning of the year | 7,80,000 | 7,80,000 |
| Add: Weighted average number of equity shares issued during the year | - | - |
| Weighted average number of shares outstanding at the end of year for computing basic earnings per share | 7,80,000 | 7,80,000 |
| Add: Impact of potentially dilutive equity shares | - | - |
| Weighted average number of shares outstanding at the end of the year for computing diluted earnings per share | 7,80,000 | 7,80,000 |

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Greenpiece Landscapes India Private Limited
Notes to the Financial Statements for the year ended 31 March 2019

**38 Related party disclosures**

**(i) Name of related parties and description of relationship: (Please select the entities from the list shared herewith)**

| | |
|---|---|
| -Ultimate Holding Company | Fairfax Financial Holdings Limited |
| - Holding Company | Quess Corp Limited |
| - Fellow subsidiaries, associates and joint venture | Coachieve Solutions Private Limited<br>MFX Infotech Private Limited<br>Aravon Services Private Limited (formerly known as ARAMARK India Private Limited)<br>Brainhunter Systems Limited, Canada<br>Mindwire Systems Ltd, Canada (formerly known as ZYLOG SYSTEMS (OTTAWA) LTD.)<br>Brainhunter Companies Canada Inc., Canada<br>Brainhunter Companies LLC USA<br>Quess (Philippines) Corp (formerly known as Magna Ikya Infortech Inc, Philippines)<br>Quess Corp (USA) Inc. (formerly known as Magna Infotech Inc.)<br>Quesscorp Holdings Pte Ltd. Singapore<br>Quessglobal (Malaysia) SDN. BHD. (formerly known as Brainhunter SDN. BHD, Malaysia)<br>Quess Corp Lanka Private Limited (formerly known as Ranstad Lanka Private Limited)<br>Comtel Solutions Pte Ltd<br>Ikya Business Services (Private) Limited<br>MFXchange Holdings Inc. Canada<br>MFXchange US. Inc.<br>MFXchange (Ireland) Limited<br>MFX Roanoke Inc, USA (merged with MFXchange US Inc, effective 31 December 2015<br>Dependo Logistics Solutions Private Limited<br>CenterQ Business Solutions Private Limited<br>Excelus Learning Solutions Private Limited<br>Inticore VJP Advanced Solutions Private Limited<br>ConnectQ Business Services Private Limited (Formerly known as Tata Business Support Services P<br>Vedang Cellular Services Private Limited<br>Master Staffing Solutions Private Limited<br>Golden Star Facilities and Services Private Limited<br>Comtelpro Pte. Ltd<br>Comtelink Sdn. Bhd<br>Monster.com (India) Private Limited<br>Monster.com.SG PTE Limited<br>Monster.com.HK Limited<br>Monster Malaysia SDN. BHD<br>Qdigi Services Limited (Formerly known as: HCL Computing Products)<br>Simpliance Technologies Private Limited<br>Quesscorp Manpower Supply Servcies LLC<br>Trimax Smart Infraprojects Private Limited<br>Terrier Security Services (India) Private Limited<br>Heptagon Technologies Private Limited<br>Quess Recruit Inc.<br>Quess East Bengal FC Private Limited<br>Agency Pekerjaan Quess Recruit Sdn. Bhd<br>Himmer Industrial Services (M) SDN BHD |
| - Entity having common directors | Master Staff Solutions Prviate Limited<br>Golden Star Facilities and Services Private Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 19 December 2018) |

**Key management personnel**

| | |
|---|---|
| Sunil De Souza | Director |
| Manoj Jain | Director |
| Chidambaram Anand Sundar Raj | Director |

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Greenpiece Landscapes India Private Limited
Notes to the Financial Statements for the year ended 31 March 2019
(iii) Related party transactions

(Amount in Rs.)

| Particulars | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Revenue from operations** | | | |
| | Quess Corp Limited | 2,86,755 | - |
| **Finance costs** | | | |
| - Interest expense | Quess Corp Limited | 28,45,050 | - |
| **Loans taken from related parties** | | | |
| | Quess Corp Limited | 4,50,00,000 | - |
| **Remuneration to directors** | Sunil De Souza | 56,00,000 | 77,40,000 |
| | | - | - |
| **Rent for office premises** | | | |
| | Sunil De Sousa | 12,11,680 | 4,66,400 |
| | Manuela De Sousa | - | 2,90,000 |
| **Rent advance** | | | |
| | Sunil De Sousa | - | 7,84,000 |
| **Repayment of loan** | | | |
| | Manuela De Sousa | - | 17,500 |
| **Loan given to related party** | | | |
| | Sunil De Sousa | - | 1,55,990 |
| **Reimbursement for Expenses** | | | |
| | Sunil De Sousa | 1,19,921 | 16,33,580 |
| **Purchases** | Mericlone Landscapes Private Limited | - | 17,95,525 |
| **Sale of Assets** | Sunil De Sousa | | 1,99,290 |

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(iii) **Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs.)*

| Particulars | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Current borrowings** | | | |
| | Quess Corp Limited | 4,50,00,000 | - |
| | Sunil De Sousa | 4,16,302 | |
| | Mericlone Landscapes Private Limited | - | |
| | Greenpiece Projects Private Limited | 67,74,177 | 67,74,177 |
| **Current loans** | | | |
| | Sunil De Sousa | - | 7,09,000 |
| | Greenpiece Projects Private Limited | 3,32,477 | - |
| **Other financials liabilities (interest payable)** | | | |
| | Quess Corp Limited | 25,60,545 | - |

(v) **Compensation of key managerial personnel***

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and other employee benefits to whole-time directors and executive officers | 56,00,000 | 77,40,000 |
| Others if any, specify nature | - | - |
| | **56,00,000** | **77,40,000** |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences and employee share-based payment since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

**39 Leases**

***Operating Leases***

The Company has taken on lease offices and residential premises under operating leases. The leases typically run for a period of one to ten years, with an option to renew the lease after that period. Lease payments are renegotiated at the time of renewal.

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| **Particulars** | For the year ended 31 March 2019 | *(Amount in Rs.)* For the year ended 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | | |
| - Non-cancellable | 71,17,725 | 54,78,650 |
| - Cancellable | - | - |
| | 71,17,725 | 54,78,650 |

**40 Assets and liabilities relating to employee benefits**

| **Particulars** | As at 31 March 2019 | *(Amount in Rs.)* As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 68,26,207 | 59,19,559 |
| **Total employee benefit liability** | **68,26,207** | **59,19,559** |
| Current [refer note 23] | 34,81,265 | 30,85,684 |
| Non-current [refer note 18] | 33,44,942 | 28,33,875 |
| | **68,26,207** | **59,19,559** |

For details about employee benefit expenses, see note 28.

The Company operates the following post-employment defined benefit plans.
The Company has a defined benefit gratuity plan in India (Plan A), governed by the Payment of Gratuity Act, 1972. Plan A entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of 15 days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

The Company also provides certain post-employment medical cost benefits to employees of some of the Related party entities outside India (Plan B). Plan B reimburses certain medical costs for retired employees.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

**A Funding**

The Company's gratuity scheme for core employees is administered through a trust with the Aditya Birla Sunlife Insurance Company. The funding requirements are based on the gratuity funds actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purpose for which assumptions are same as set out below. Employees do not contribute to the plan.

The Company has determined that, in accordance with the terms and conditions of gratuity plan, and in accordance with statutory requirements (including minimum funding requirements) of the plan, the present value of refund or reduction in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations.

**B Reconciliation of net defined benefit liability/ asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

| **Particulars** | As at 31 March 2019 | *(Amount in Rs.)* As at 31 March 2018 |
|---|---|---|
| ***Reconciliation of present value of defined benefit obligation*** | | |
| Obligation at the beginning of the year | | |
| Additions through business combination | 83,74,394 | 66,65,039 |
| Current service cost | | |
| Interest cost | 16,22,012 | 18,09,059 |
| Past service cost | 4,97,946 | 4,71,724 |
| Benefit settled | | - |
| Actuarial (gains)/ losses recognised in other comprehensive income | (35,05,540) | (4,23,803) |
| - Changes in experience adjustments | | - |
| - Changes in demographic assumptions | - | - |
| - Changes in financial assumptions | 1,22,631 | (1,47,625) |
| **Obligation at the end of the year** | - | - |
| | **71,11,443** | **83,74,394** |
| ***Reconciliation of present value of plan assets*** | | |
| Plan assets at the beginning of the year, at fair value | | |
| Additions through business combination | 24,54,835 | 28,78,638 |
| Interest income on plan assets | - | |
| Remeasurement- actuarial gain/(loss) | 90,395 | 1,94,938 |
| Return on plan assets recognised in other comprehensive income | - | - |
| Contributions | 2,45,546 | (1,94,938) |
| Benefits settled | 10,00,000 | - |
| **Plan assets as at the end of the year** | (35,05,540) | (4,23,803) |
| **Net defined benefit liability** | **2,85,236** | **24,54,835** |
| | **68,26,207** | **59,19,559** |

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**C i) Expense recognised in statement of profit or loss**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 16,22,012 | 18,09,059 |
| Interest cost | 4,97,946 | 4,71,724 |
| Past service cost | - | - |
| Interest income | (90,395) | (1,94,938) |
| **Net gratuity cost** | **20,29,563** | **20,85,845** |

**ii) Re-measurement recognised in other comprehensive income**

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | (6,20,491) | (5,69,883) |
| Remeasurement of the net defined benefit asset | 1,22,631 | 1,94,938 |
| | **(4,97,860)** | **(3,74,945)** |

**D Plan assets**

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Funds managed by insurer | 2,85,236 | 24,54,835 |
| | **2,85,236** | **24,54,835** |

**E Defined benefit obligation - Actuarial Assumptions**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Discount rate | 7.52% | 7.31% |
| Future salary growth | 10.00% | 10.00% |
| Attrition rate | 19.00% | 19.00% |
| Rate of return on planned asset | 7.52% | 7.31% |
| Average duration of defined benefit obligation (in years) | 38.88 | 38.23 |

## 41 Revenue from Contracts with customers

**(i) Disaggregation of revenue**

The Company provides Landscaping and Softscaping services across India to various customers.

**(ii) Trade Receivables and Contract Balances**

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 10,51,60,154 | 15,18,28,365 |
| Contract assets | 5,56,16,104 | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date.The contract assets are transferred to receivables when the rights become unconditional.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning of the reporting period | - |
| Add : Revenue recognized during the reporting period | 33,46,64,593 |
| Less : Invoiced during the reporting period | 27,90,48,489 |
| **Balance at the end of the reporting period** | **5,56,16,104** |

**(iii) Performance obligations and remaining performance obligations**

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expexcts to recognize these amounts in revenue.Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

**(iv) Changes in accounting policies**

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these financial statements. The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The quantitative impact of the adoption of Ind AS 115 on the financial statements in the period of initial application is not material.

## 42 Dues to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

*As per our report of even date attached*
*for N S Shastri & Co.,*
Chartered Accountants
Firm's Registration No.: 015093S

N S Shastri
Proprietor
Membership No.: 037676

Place: Bengaluru
Date: 24 April 2019

*for* and on behalf of the Board of Directors of
**Greenpiece Landscapes India Private Limited**

**Sunil De Sousa**
Director
DIN:01970458

Place: Bengaluru
Date: 24 April 2019

**Manoj Jain**
Director
DIN: 03275058

Place: Bengaluru
Date: 24 April 2019

**Greenpiece Landscapes India Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**

## 1. Company overview

Greenpiece Landscapes India Private Limited is a Private Limited incorporated on 04 January 2008 (CIN: U01403KA2008PTC044865) and domiciled in India. The registered office of the company is located in Bengaluru, Karnataka, India. The Company is engaged in the business of providing services in landscaping solutions.

The Company has incurred a net loss of ₹ 2,22,42,071/- during the year ended 31 March 2019 and, Further, as at that date the Company's accumulated losses amounted to ₹ 4,30,80,605/- which have resulted in significant erosion of the net worth of the Company. The accompanying financial statements have been prepared on a going concern basis as the management of the Company is of the opinion that the Company has the ability to meet their day-to-day cash flow requirements from a combination of the working capital generated from operations and the receipt of additional funding from the current/ potential investors. Accordingly, the assets and liabilities have been recorded in the financial statements on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of the business. Our opinion is not qualified in respect of this matter

## 2. Basis of preparation

### 2.1 Statement of compliance

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) and the provisions of the Companies Act, 2013 ('the Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Effective 1 April 2017, the Company has adopted all the Ind AS standards and the first time adoption was carried out in accordance with Ind AS 101, First time adoption of Indian Accounting Standards with April 1, 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company's Ind AS financial statements are approved for issue by the Company's Board of Directors on 24 April 2019.

The Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency and all amounts have been rounded-off to the nearest rupees.

### 2.2 Basis of measurement and significant accounting policies

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments) and

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO")

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## Greenpiece Landscapes India Private Limited
## Notes to the financial statements for the year ended 31 March 2019

### 2.3 Use of estimates and judgment

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

### 2.3 Use of estimates and judgment (continued)

i. ***Contingent liabilities:*** Contingent liabilities are not recognised in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt

with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

ii. ***Income taxes***: Significant judgments are involved in determining provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

iii. ***Measurement of defined benefit obligations:*** The cost of the defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

iv. ***Impairment of financial assets***: The Company assesses on a forward looking basis the expected credit losses associated with financial assets carried at amortized cost.

iv. ***Property, plant and equipment and Intangible assets:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

v. ***Other estimates:*** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer creditworthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

### 2.4 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 2.7 Property, plant and equipment

#### i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'

#### ii) Depreciation

Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognised in the statement of profit and loss. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of). The Company has estimated the useful lives for property, plant and equipment as follows:

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| Assets Category | Estimated Useful Life |
|---|---|
| Furniture and Fixtures | 5 years |
| Computer | 3 years |
| Office Equipment | 5 years |
| Plant & Machinery | 3 years |
| Vehicles | 3 years |

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/losses.

### 2.8 Impairment of intangible assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

The Company amortizes intangible assets with a finite useful life using the straight-line method.

The estimated useful lives of intangibles are as follows:

| Assets Category | Estimated Useful Life |
|---|---|
| Software | 5 years |

### 2.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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**Notes to the financial statements for the year ended 31 March 2019**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### 2.10 Inventories

Inventories (raw materials and stores and spares) which comprise of food consumables and operating consumables are valued at the lower of cost and net realizable value. Cost of inventories comprises purchase price, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost method is used. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The comparison of cost and net realizable value is made on an item-by-item basis.

### 2.11 Revenue recognition

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 accordingly the company has elected to prepare the financial statements in accordance with the modified retrospective approach, wherein the entity shall recognise the cumulative effect of initially applying the Ind AS 115 as an adjustment to the opening balance of equity on 1st April 2018.

a. The company has transitioned into recognising revenue based on the input method, cost plus basis from the survey method as applicable in the previously adopted accounting policy.

b. The transition has impacted the projections which were considering to be incomplete in the previous reporting period, the said transition has resulted in a adjustment to the reserves to the tune of INR 4,56,45,308. as per the modified retrospective method.

c. The transition has resulted in change in EPS from (87.15) Pre-Transition to (28.62) Post-Transition

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration we expect to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognised as the services are performed as per the terms of the arrangement with the customer.

Refer Note 41 for disclosure related to revenue from contracts with customers.

### Unbilled revenue and unearned revenue

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

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**Contract modifications**

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

**Variable consideration**

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

**Warranties**

The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

**Cost of obtaining a contract**

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

**Cost of fulfilling a contract**

The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

**Significant financing component**

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

**Principal vs agent**

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

**2.11 Other income**

Interest income is recognised using the effective interest method.

**2.12 Investments**

The Company has elected to account its investment at cost.

### 2.12 Financial instruments

#### a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

### 2.12 Financial instruments (continued)

#### b) Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair Value through Profit & Loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii) A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(iii) On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI designated as FVOCI - equity investment). This election is made on an investment-to-investment basis. All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mistake that would otherwise arise.

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### 2.12 Financial instruments (continued)

**Financial assets:** Subsequent measurement and gains and losses

| | |
|---|---|
| Financial Assets, at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including ar interest or dividend income, are recognised in the statement of profit and loss. |
| Financial Assets at amortised cost | These assets are subsequently measured at amortised cost using the effective intere method. The amortised cost is amortised cost reduced by impairment losses. Interest incom foreign exchange gains and losses and impairment are recognised in the stand alo: statement of profit and loss. Any gain or loss on derecognition is recognised in the stateme of profit and loss |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effecti interest method, foreign exchange gains and losses and impairment are recognised in tl stand alone statement of profit and loss. Other net gains and losses are recognised in OC On derecognition, gains and losses accumulated in OCI are reclassified to the statement profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as incon in the statement of profit and loss unless the dividend clearly represents a recovery of part the cost of the investment. Other net gains and losses are recognised in OCI and are n reclassified to stand alone statement of profit and loss. |

### c) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 27 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

### d) Derecognition of financial assets

A financial asset is derecognised only when:

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

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**2.12 Financial instruments (continued)**

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

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

**Financial liabilities**

**Classification, subsequent measurement and gains and losses**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

**Amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

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**2.12 Financial instruments (continued)**

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.13 Employee benefits**

**(a) Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**(b) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**(d) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the reporting date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the Statement of profit and loss does not include an expected return on plan assets. Instead net interest recognised in the Statement of profit and loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurement comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to the Statement of profit and loss in subsequent periods.

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### (e) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

### 2.14 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognized in profit and loss.

### 2.15 Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the Statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

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### 2.16 Provisions (other than employee benefits)

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

**Onerous contract**

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

### 2.17 Contingent liability

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

### 2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### 2.19 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

### 2.20 Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that is dilutive and which either reduces earnings per share or increase loss per share are included.

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### 2.21 Segment reporting

Based on the "management approach" as defined in Ind AS 108, Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, the Company is engaged in the business of providing facility management services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

### 2.22 Contributed Equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

N.S. SHASTRI & Co ★ CHARTERED ACCOUNTANTS ★ BANGALORE

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Greenpiece Landscapes India Pvt. Ltd. ★ Bangalore

**SRIRAMULU NAIDU & CO.**
Chartered Accountants

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**Independent Auditor's Report**

**To the Members of M/s. Golden Star Facilities and Services Private Limited**

**Report on the Audit of the Ind As Financial Statements**

**Opinion**

We have audited the Ind AS financial statements of M/s. Golden Star Facilities and Services Private Limited ("the Company"), which comprise the balance sheet as at 31st March 2019, the statement of Profit and Loss (including other comprehensive income), the statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements").

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information other than the Financial Statements and Auditor's Report thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibility of Management for Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements.**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. 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.

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As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

SRIRAMULU NAIDU & Co.
BANGALORE
Chartered Accountants

## Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, Statement of Changes in Equity and statement of cash flow dealt with by this Report are in agreement with the books of account;

d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e) On the basis of the written representations received from the directors as on 31st March 2019 and taken on record by the Board of Directors, none of the directors are disqualified as on 31st March 2019 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 expressed an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial reporting

g) The provisions of section 197 read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under section 2(71) of the Act. Accordingly, reporting under section 197(16) is not applicable.

h) 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. 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 paragraph 3 and 4 of the Order.

*For* **Sriramulu Naidu & Co**
*Chartered Accountants*
FRN : 008975S

SRIRAMULU NAIDU & CO., BANGALORE, Chartered Accountants

**CA.S.Deenadayal**
Partner
Membership No: 205194

Place: Bangalore
Date : 8th May 2019

**Annexure – A to the Auditors' Report**

**Report on the Internal Financial Controls 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 Golden Star Facilities and Services Private Limited ("the Company") as of 31st March 2019 in conjunction with our audit of the 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 ("ICAI"). 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.

**Auditors' 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") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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.

SRIRAMULU NAIDU & CO. BANGALORE Chartered Accountants

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 includes 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 judgment, 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.

SRIRAMULU NAIDU & Co., BANGALORE, Chartered Accountants

**Opinion**

In our opinion, 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 31st March 2019, 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.

*For* **Sriramulu Naidu & Co**
*Chartered Accountants*
FRN: 008975S

SRIRAMULU NAIDU & CO., BANGALORE, Chartered Accountants

**CA.S.Deenadayal**
*Partner*
Membership No: 205194

Place: Bangalore
Date : 08th May 2019

Annexure - B

**Annexure to the Independent Auditor's report of even date to the Members of Golden Star Facilities and Services Private Limited, on the Financial Statements for the year ended 31st March 2019.**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a).The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b). The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c).According to the information and explanation given to us and on the basis of our examination of the records of the Company, Company does not having any immovable property. Accordingly, the provisions of clause 3(i)(c) of the order is not applicable.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification/ material discrepancies noticed on physical verification have been properly dealt with in the books of account.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the investments made.

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(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 3(vi) of the order are not applicable.

(vii)(a).The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b).There are no dues in respect of income-tax, goods and service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.

(viii) According to information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution, banks, government, or debenture holders during the year.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the order is not applicable.

(x) According to the information and explanation given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit. Accordingly, paragraph 3(x) of the order is not applicable.

(xi) In our opinion and according to the information and explanation given to us, Company is a private limited company, hence the provisions of Sec 197 of the Act, not applicable. Accordingly paragraph 3(xi) of the order is not applicable.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the order is not applicable.

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Ind AS financial statements as required by the applicable Indian accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly paragraph 3(xiv) of the order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

*For* **Sriramulu Naidu & Co**
*Chartered Accountants*
FRN : 008975S

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

**CA.S.Deenadayal**
Partner
Membership No: 205194

Place: Bangalore
Date : 08th May 2019

Golden Star Facilities And Services Private Limited

*(Amount in Rs)*

| Balance Sheet | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 3,14,22,980 | 2,71,32,750 |
| **Financial assets** | | | |
| (i) Non current loans | 4 | 51,82,135 | 43,70,945 |
| (ii) Other non-current financial assets | 5 | 63,37,935 | 5,42,597 |
| Deferred tax assets (net) | 6 | 4,41,02,360 | 4,08,48,525 |
| Income tax assets (net) | 6 | 5,29,34,740 | 2,07,76,370 |
| Other non-current assets | 7 | 57,45,885 | 21,71,606 |
| **Total non-current assets** | | **14,57,26,035** | **9,58,42,793** |
| **Current assets** | | | |
| Inventories | 8 | 73,07,907 | 58,16,306 |
| **Financial assets** | | | |
| (i) Trade and other receivables | 9 | 28,97,68,786 | 20,95,26,823 |
| (ii) Cash and cash equivalents | 10 | 2,39,123 | 87,80,119 |
| (iii) Current loans | 11 | 5,16,166 | 9,00,960 |
| (iv) Unbilled revenue | 12 | 20,76,30,657 | 15,74,92,979 |
| Other current financial assets | 13 | 2,20,884 | - |
| Other current assets | 14 | 1,02,89,440 | 19,99,828 |
| **Total current assets** | | **51,59,72,963** | **38,45,17,015** |
| **Total Assets** | | **66,16,98,998** | **48,03,59,808** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | 1,00,00,000 | 1,00,00,000 |
| Other equity | 16 | 17,82,44,222 | 15,99,13,573 |
| **Total equity** | | **18,82,44,222** | **16,99,13,573** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| **Financial liabilities** | | | |
| Non-current provisions | 17 | 1,04,81,027 | 1,78,78,212 |
| **Total non-current liabilities** | | **1,04,81,027** | **1,78,78,212** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Current borrowings | 18 | 21,44,07,472 | 11,70,28,495 |
| (ii) Trade and payables | 19 | 1,47,50,858 | 1,32,03,589 |
| (iii) Other current financial liabilities | 20 | 21,32,37,688 | 11,21,40,969 |
| Current provisions | 21 | 1,40,48,937 | 97,77,559 |
| Other current liabilities | 22 | 65,28,794 | 4,04,17,411 |
| **Total current liabilities** | | **46,29,73,749** | **29,25,68,023** |
| **Total Liabilities** | | **47,34,54,776** | **31,04,46,235** |
| **Total Equity and Liabilities** | | **66,16,98,998** | **48,03,59,808** |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

*for* and on behalf of Board of Directors of
**Golden Star Facilities And Services Private Limited**

SRIRAMULU NAIDU & Co., BANGALORE, Chartered Accountants

**S Deenadayal**
Partner
Membership No. : 205194

**Anita Verghese**
Managing Director
DIN: 01933949

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Place: Bengaluru
Date: 8-May-2019

Golden Star Facilities And Services Private Limited

| Statement of Profit and loss | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| | | *(Amount in Rs)* | |
| **Income** | | | |
| Revenue from operations | 23 | 2,16,94,53,881 | 1,49,11,38,813 |
| Other income | 24 | 4,74,139 | 14,61,034 |
| **Total Income** | | **2,16,99,28,020** | **1,49,25,99,847** |
| **Expenses** | | | |
| Cost of materials, stores and spare parts consumed | 25 | 6,15,64,772 | 5,60,56,543 |
| Employee benefits expenses | 26 | 1,78,89,10,734 | 1,26,63,31,097 |
| Finance costs | 27 | 2,25,78,717 | 1,43,40,652 |
| Depreciation expenses | 28 | 1,50,08,964 | 1,09,76,677 |
| Other expenses | 29 | 27,06,44,621 | 8,71,24,138 |
| **Total expenses** | | **2,15,87,07,808** | **1,43,48,29,107** |
| **Profit before income tax** | | **1,12,20,212** | **5,77,70,740** |
| **Tax expense** | | | |
| Current tax | 6 | (45,80,891) | (1,13,20,984) |
| Minimum alternate tax credit (utilization) / entitlement | | 40,96,919 | 21,32,938 |
| Income tax for earlier years | 6 | - | 8,41,907 |
| Deferred tax | 6 | 39,74,533 | 2,01,97,204 |
| **Total tax expenses** | | **34,90,561** | **1,18,51,065** |
| **Profit for the year** | | **1,47,10,773** | **6,96,21,805** |
| **Other comprehensive income/(expense)** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Remeasurement of the net defined benefit liability/asset | | 25,90,573 | (29,48,397) |
| Income tax relating to items that will not be reclassed to profit or loss | | (7,20,697) | 9,74,829 |
| **Other comprehensive income/ (expense) for the year, net of income tax** | | **18,69,876** | **(19,73,568)** |
| **Total comprehensive income for the period** | | **1,65,80,649** | **6,76,48,237** |
| **Earnings per equity share (face value of Rs 10 each)** | | | |
| Basic | 34 | 14.71 | 69.62 |
| Diluted | 34 | 14.71 | 69.62 |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

*for* and on behalf of Board of Directors of
**Golden Star Facilities And Services Private Limited**

SRIRAMULU NAIDU & CO. BANGALORE Chartered Accountants

**S Deenadayal**
Partner
Membership No. : 205194

**Anita Verghese**
Managing Director
DIN: 01933949

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Place: Bengaluru
Date: 8-May-2019

Golden Star Facilities And Services Private Limited

| | | *(Amount in Rs)* |
|---|---|---|
| **Statement of Cash Flows** | **For the year ended 31 March 2019** | **31 March 2018** |
| **Cash flow from operating activities** | | |
| Profit before tax | 1,12,20,212 | 5,77,70,740 |
| **Adjustments for:** | | |
| Depreciation expense | 1,50,08,964 | 1,09,76,677 |
| Financial Guarantee income | (1,67,083) | (2,87,862) |
| Liabilities no longer required written back | - | (7,26,235) |
| Bad debts written off | 35,98,781 | 64,81,618 |
| Impairment loss allowance on financial assets, net | 60,89,922 | 7,03,024 |
| Interest income | (2,49,924) | (2,12,145) |
| Finance costs | 2,25,78,717 | 1,43,40,652 |
| Other Income | - | - |
| **Operating cash flows before working capital changes** | **5,80,79,589** | **8,90,46,469** |
| **Working capital adjustments:** | | |
| **Changes in:** | | |
| Inventories | (14,91,601) | (5,93,300) |
| Trade receivables and security deposits | (9,05,74,773) | 6,61,36,300 |
| Other current, non-current, unbilled revenue and financial assets | (6,40,20,051) | (15,64,76,889) |
| Trade payables and other financial liabilities | 6,87,55,371 | 2,31,53,639 |
| Other liabilities and provisions | (5,35,234) | 33,38,544 |
| **Cash generated from operating activities** | **(2,97,86,698)** | **2,46,04,764** |
| Income taxes paid, net of refund | (3,62,55,289) | (2,70,80,853) |
| **Net cash (used in) / provided by operating activities (A)** | **(6,60,41,987)** | **(24,76,089)** |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment and intangibles | (1,92,99,194) | (2,38,42,067) |
| Proceeds from sale of fixed assets (refer note 3) | - | - |
| Interest income on term deposits | 2,49,924 | 2,12,145 |
| **Net cash (used in) / provided by investing activities (B)** | **(1,90,49,270)** | **(2,36,29,922)** |
| **Cash flows from financing activities** | | |
| Finance cost paid | (2,08,28,717) | (1,35,90,652) |
| Short-term borrowings, net of repayments | 9,73,78,977 | 4,67,48,768 |
| **Net cash (used in) / provided by financing activities (C)** | **7,65,50,260** | **3,31,58,116** |
| Net increase in cash and cash equivalents (A+B+C) | (85,40,996) | 70,52,105 |
| Cash and cash equivalents at the beginning of the year | 87,80,119 | 17,28,014 |
| **Cash and cash equivalents at the end of the period (refer note 10)** | **2,39,123** | **87,80,119** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

*for* and on behalf of Board of Directors of
**Golden Star Facilities And Services Private Limited**

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

**S Deenadayal**
Partner
Membership No. : 205194

**Anita Verghese**
Managing Director
DIN: 01933949

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Place: Bengaluru
Date: 8-May-2019

Golden Star Facilities And Services Private Limited
Statement of Changes in Equity for the year ended 31 March 2019

**(A) Equity share capital**

*(Amount in Rs)*

| Particulars | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| Opening balance | 15 | 1,00,00,000 | 1,00,00,000 |
| Changes in equity share capital | 15 | - | - |
| **Closing balance** | | **1,00,00,000** | **1,00,00,000** |

**(B) Other equity**

*(Amount in Rs)*

| Particulars | Note | Reserves and surplus | | Other items of other comprehensive Income | Total equity attributable to equity holders of the Company |
|---|---|---|---|---|---|
| | | Retained earnings | Other Reserves | Remeasurement of the net defined benefit liability/asset | |
| **Balance as of 1 April 2017** | | **8,48,90,146** | **7,50,000** | **58,75,190** | **9,15,15,336** |
| Add: Profit for the Period | | 6,96,21,805 | - | - | 6,96,21,805 |
| Add: Fair value of financial guarantee received | 16 | - | 7,50,000 | - | 7,50,000 |
| Add: Other comprehensive income (net of tax) | 16 | - | - | (19,73,568) | (19,73,568) |
| **Balance as of 31 March 2018** | | **15,45,11,951** | **15,00,000** | **39,01,622** | **15,99,13,573** |
| **Balance as of 1 April 2018** | | **15,45,11,951** | **15,00,000** | **39,01,622** | **15,99,13,573** |
| Add: Profit for the Period | | 1,47,10,773 | - | - | 1,47,10,773 |
| Add: Fair value of financial guarantee received | 16 | - | 17,50,000 | - | 17,50,000 |
| Add: Other comprehensive income (net of tax) | 16 | - | - | 18,69,876 | 18,69,876 |
| **Balance as of 31 March 2019** | | **16,92,22,724** | **32,50,000** | **57,71,498** | **17,82,44,222** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

**S Deenadayal**
Partner
Membership No.: 205194

*for* and on behalf of Board of Directors of
**Golden Star Facilities And Services Private Limited**

**Anita Verghese**
Managing Director
DIN: 01933949

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Place: Bengaluru
Date: 8-May-2019

Golden Star Facilities And Services Private Limited
Notes to the financial statements for the year ended 31 March 2019

**1. Company overview**

Golden Star Facilities And Services Private Limited ("the Company") is incorporated on 14 March 2008 under the provisions of Companies Act 1956. The Registered office of the company is located in Hyderabad. The company is engaged in the business of providing Facility management services.

**2. Significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these Ind AS financial statements. Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

**2.1 Basis of preparation**

**Statement of compliance**

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) and the provisions of the Companies Act, 2013 ('the Act') and the relevant rules thereunder. The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The Ind AS financial statements are presented in Indian Rupees ("INR") which is also the Company's functional currency and all amounts have been rounded off to the nearest lakhs, unless otherwise stated.

**Basis of measurement**

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of defined benefit obligations ("DBO").

**2.2 Use of estimates and judgement**

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

**i) Contingent liability:** Contingent liabilities are not recognized in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

**ii) Income taxes:** Significant judgements are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions. Availability of future taxable profits against which deferred tax amount can be used.

**iii) Measurement of defined benefit obligations:** Key actuarial assumptions used for actuarial valuation.

**iv) Impairment of financial assets:** The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments.

**v) Property, plant and equipment:** Useful life of asset.

**vi) Other estimates:** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

**2.3 Measurement of fair values**

Some of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and nonfinancial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**2.4 Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any.

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Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

**Depreciation methods, estimated useful lives and residual value**

Depreciation is provided on a Straight Line Method ('SLM') over estimated useful life of the fixed assets estimated by the Management. The management believes that the useful lives as given below best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for these assets is different from the useful lives as prescribed under part C of Schedule II of the Companies Act, 2013. Depreciation for assets purchased/ sold during the year is proportionately charged. The Company estimated the useful lives for fixed assets as follows:

| Asset Category | Estimated useful life |
|---|---|
| Computer equipment | 3 years |
| Vehicles | 3 years |
| Plant and machinery | 3 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/losses.

Advance paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of the assets not put to use before such date are disclosed under 'Capital work-in-progress'

**Impairment of property, plant and equipment**

Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

**2.5 Leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**2.6 Revenue**

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expect to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

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Revenue from time and material contracts are recognised as the services are performed and as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

Refer Note 39 for disclosure related to revenue from contracts with customers.

**Policy in case of Unbilled revenue and unearned revenue**
Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

**Policy in case of Contract modifications**
Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

**Policy in case of variable consideration**
The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

**Policy in case of warranties**
The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

**Policy in case of cost of obtaining a contract**
Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

**Policy in case of cost of fulfilling a contract**
The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

**Policy in case of significant financing component**
The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

**Policy in case of Principal vs agent**
The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

**2.7 Other income**
Other income mostly comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

**2.8 Financial instruments**

**a) Recognition and initial measurement**
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

**b) Classification and subsequent measurement Financial assets**
On initial recognition, a financial asset is classified and measured at:

- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair Value through profit and loss (FVTPL)

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Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

On initial recognition of an equity investment that is not held for trading, the group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI- equity investment). This election is made on an investment-to-investment basis. All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mistake that would otherwise arise.
Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets, at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss. |

**c) Impairment of financial assets**

The Company assess on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 26 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

**d) Derecognition of financial assets**

A financial asset is derecognised only when:
- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

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

**Financial liabilities**

**a) Initial recognition and measurement**
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b) Subsequent measurement**
The measurement of financial liabilities depends on their classification, as described below:

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**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

**Amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

**Financial guarantee contracts**

Financials gurantee contracts issued by the holding company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make the payment when due in accordance with the terms of a debt instrument. Fair value of cost of availing the financial gurantee is recognized initially as an asset giving corresponding affect to a component in other equity. The asset so recognized is amortised to the statement of profit and loss over the period of such gurantee availed.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**2.9 Employee benefit**

**(a) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the profit or loss does not include an expected return on plan assets. Instead net interest recognised in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of remeasurements of the net defined liability or asset through other comprehensive income.

Remeasurement of the net defined liability or asset (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

The Company's gratuity scheme is administered through a trust with the State Bank of India and the provision for the same is determined on the basis of actuarial valuation carried out by an independent actuary. Provision is made for the shortfall, if any, between the amounts required to be contributed to meet the accrued liability for gratuity as determined by actuarial valuation and the available corpus of the funds.

**b) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee Provident Fund to Government administered Provident Fund Scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**c) Short-term employee benefits**

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**d) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

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**2.10 Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognized in profit and loss, except exchange differences arising from the translation of the following items which are recognized in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

**2.11 Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date.

Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for the cases mentioned below, Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date. Deferred tax is not recognised for :

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.
- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profits may not be available. Therefore, in case of history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realized. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

**2.12 Provisions (other than employee benefits)**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre -tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

***Onerous contract***

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

**2.13 Contingent liability**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

**2.14 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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### 2.15 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

### 2.16 Earnings per share

Basic earnings per equity share are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. The company does not have potential dilutive equity shares outstanding during the period.

### 2.17 Segment reporting

Based on the "management approach" as defined in Ind AS 108, Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, the Company is engaged in the business of providing facility management services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

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Golden Star Facilities And Services Private Limited
Notes to the financial statements for the year ended 31 March 2019

3. Property, plant and equipment

(Amount in Rs)

| Particulars | Computer equipment | Plant & Machinery | Office equipment | Furniture & fixtures | Vehicles | Total |
|---|---|---|---|---|---|---|
| **Gross carrying amount as at 1 April 2016** | **10,71,439** | **1,93,87,321** | **4,22,939** | - | **14,70,061** | **2,23,51,760** |
| Additions during the year | 15,86,370 | 50,35,587 | 7,86,890 | 20,645 | 5,50,451 | 79,79,943 |
| Disposals for the year | - | 36,05,254 | - | - | - | 36,05,254 |
| **Balance as at 31 March 2017** | **26,57,809** | **2,08,17,654** | **12,09,829** | **20,645** | **20,20,512** | **2,67,26,449** |
| Additions during the year | 14,34,225 | 2,08,23,095 | 3,41,510 | 8,22,315 | 4,20,922 | 2,38,42,067 |
| Disposals for the year | - | 21,40,270 | - | - | - | 21,40,270 |
| **Balance as at 31 March 2018** | **40,92,034** | **3,95,00,479** | **15,51,339** | **8,42,960** | **24,41,434** | **4,84,28,246** |
| Additions during the year | 3,98,348 | 1,86,91,895 | 1,85,943 | 23,008 | - | 1,92,99,194 |
| Disposals for the year * | - | - | - | - | - | - |
| **Balance as at 31 March 2019** | **44,90,382** | **5,81,92,374** | **17,37,282** | **8,65,968** | **24,41,434** | **6,77,27,440** |
| | | | | | | |
| **Accumulated depreciation as at 1 April 2016** | **4,08,125** | **65,90,770** | **1,07,113** | - | **8,24,795** | **79,30,803** |
| Depreciation for the year | 5,49,130 | 68,04,644 | 2,33,967 | 10,002 | 5,35,797 | 81,33,540 |
| Accumulated depreciation on deletions | - | 36,05,254 | - | - | - | 36,05,254 |
| **Balance as at 31 March 2017** | **9,57,255** | **97,90,160** | **3,41,080** | **10,002** | **13,60,592** | **1,24,59,089** |
| Depreciation for the year | 8,86,129 | 92,56,189 | 3,00,162 | 1,40,004 | 3,94,193 | 1,09,76,677 |
| Accumulated depreciation on deletions | - | 21,40,270 | - | - | - | 21,40,270 |
| **Balance as at 31 March 2018** | **18,43,384** | **1,69,06,079** | **6,41,242** | **1,50,006** | **17,54,785** | **2,12,95,496** |
| Depreciation for the year | 12,06,035 | 1,29,42,312 | 2,75,796 | 2,20,761 | 3,64,061 | 1,50,08,964 |
| Accumulated depreciation on deletions | - | - | - | - | - | - |
| **Balance as at 31 March 2019** | **30,49,419** | **2,98,48,391** | **9,17,038** | **3,70,767** | **21,18,846** | **3,63,04,460** |
| | | | | | | |
| **Net carrying amount:** | | | | | | |
| **As at 31 March 2019** | **14,40,963** | **2,83,43,984** | **8,20,244** | **4,95,201** | **3,22,588** | **3,14,22,980** |
| **As at 31 March 2018** | **22,48,650** | **2,25,94,400** | **9,10,097** | **6,92,954** | **6,86,649** | **2,71,32,750** |
| **As at 31 March 2017** | **17,00,554** | **1,10,27,494** | **8,68,749** | **10,643** | **6,59,920** | **1,42,67,360** |

There has been no impairment losses recognised during the year or previous year.

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Notes to the financial statements for the year ended 31 March 2019

## 4 Non-current loans

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 51,82,135 | 43,70,945 |
| | **51,82,135** | **43,70,945** |

## 5 Other non-current financial assets

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Bank deposits (due to mature after 12 months from the reporting date) | 63,37,935 | 5,42,597 |
| | **63,37,935** | **5,42,597** |

## 6 Taxes

### A Amount recognized in profit or loss

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| *Current income tax:* | | |
| In respect of the current period | 45,80,891 | 1,13,20,984 |
| In respect of the prior period | - | (8,41,907) |
| Minimum alternate tax credit (utilization) / entitlement | (40,96,919) | (21,32,938) |
| *Deferred tax:* | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | (39,74,533) | (2,01,97,204) |
| **Income tax expense reported in the Statement of profit and loss** | **(34,90,561)** | **(1,18,51,065)** |

### B Income tax recognized in other comprehensive income

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | 25,90,573 | (29,48,397) |
| Tax (expense)/ benefit | (7,20,697) | 9,74,829 |
| **Net of tax** | **18,69,876** | **(19,73,568)** |

### C Reconciliation of effective tax rate

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| Profit before tax | | 1,12,20,212 | | 5,77,70,740 |
| Tax using the Company's domestic tax rate | 20.58% | 23,09,120 | 33.06% | 1,91,00,740 |
| **Effect of:** | | | | |
| Difference in enacted tax rate | (67.62%) | (75,86,717) | (52.30%) | (3,02,12,122) |
| Non-deductible expenses | 15.93% | 17,87,036 | 0.90% | 5,17,257 |
| Deferred tax credit for earlier periods | 0.00% | - | (0.71%) | (4,15,032) |
| Effective tax rate | (31.11%) | (34,90,561) | (19.05%) | (1,10,09,158) |
| Add: Provisions relating to earlier years | 0.00% | - | 1.46% | 8,41,907 |
| **Income tax expense reported in the Statement of profit and loss** | **(31.11%)** | **(34,90,561)** | **(20.51%)** | **(1,18,51,065)** |

### D The following table provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018

**Non-current tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 9,11,55,739 | 5,49,00,450 |
| Income tax liabilities | (3,82,20,999) | (3,41,24,080) |
| **Net income tax asset at the end of the year** | **5,29,34,740** | **2,07,76,370** |

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Notes to the financial statements for the year ended 31 March 2019

E **Deferred tax assets, net**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax asset:** | | |
| Provision for employee benefits | 68,24,234 | 91,43,827 |
| Impairment loss allowance on financial assets | 69,48,257 | 62,44,226 |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | 60,39,080 | 49,02,965 |
| Others | 2,42,90,789 | 2,05,57,507 |
| **Net deferred tax assets** | **4,41,02,360** | **4,08,48,525** |

The movement of deferred tax aggregating to Rs 32,53,835 for the year ended 31 March 2019 (31 March 2018: Rs 2,11,72,033) comprises of Rs 39,74,533 (31 March 2018: Rs 2,01,97,204) charged to Statment of profit and loss and Rs (7,20,697) {31 March 2018: Rs 9,74,829} charged to other comprehensive income.

F **Recognized deferred tax assets and liabilities**
Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Rs)*

| For the year ended 31 March 2019 | Opening balance | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax assets on:** | | | | |
| Provision for employee benefits | 91,43,827 | (15,98,895) | (7,20,697) | 68,24,234 |
| Impairment loss allowance on financial assets | 62,44,226 | 7,04,031 | - | 69,48,257 |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | 49,02,965 | 11,36,115 | - | 60,39,080 |
| Others | 2,05,57,507 | 37,33,282 | - | 2,42,90,789 |
| **Gross deferred tax assets** | **4,08,48,525** | **39,74,533** | **(7,20,697)** | **4,41,02,360** |
| **Net deferred tax assets** | **4,08,48,525** | **39,74,533** | **(7,20,697)** | **4,41,02,360** |

*(Amount in Rs)*

| For the year ended 31 March 2018 | Opening balance | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax assets on:** | | | | |
| Provision for employee benefits | 70,41,796 | 11,27,202 | 9,74,829 | 91,43,827 |
| Impairment loss allowance on financial assets | 60,11,785 | 2,32,441 | - | 62,44,226 |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | 40,68,439 | 8,34,526 | - | 49,02,965 |
| Others | 25,54,472 | 1,80,03,035 | - | 2,05,57,507 |
| **Gross deferred tax assets** | **1,96,76,492** | **2,01,97,204** | **9,74,829** | **4,08,48,525** |
| **Net deferred tax assets** | **1,96,76,492** | **2,01,97,204** | **9,74,829** | **4,08,48,525** |

7 **Other non-current assets**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Minimum alternate tax credit entitlement | 57,45,885 | 21,32,938 |
| Prepaid expenses | - | 38,668 |
| | 57,45,885 | 21,71,606 |

8 **Inventories**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Valued at lower of cost and net realizable value* | | |
| Raw material and consumables | 73,07,907 | 58,16,306 |
| | **73,07,907** | **58,16,306** |

9 **Trade receivables**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured** | | |
| Considered good | 30,04,64,463 | 21,96,94,242 |
| Considered doubtful | 1,42,80,087 | 87,18,424 |
| **Loss allowance [refer note 31(i)]** | | |
| Unsecured considered good | (1,06,95,677) | (1,01,67,419) |
| Doubtful | (1,42,80,087) | (87,18,424) |
| **Net trade receivables** | **28,97,68,786** | **20,95,26,823** |

All trade receivables are current.

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Of the above, trade receivables from related parties are as below:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade receivables from related parties | 11,24,240 | 31,478 |
| Less: loss allowance | (67,602) | (922) |
| **Net trade receivables** | **10,56,638** | **30,556** |

The Company's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note 31.

## 10 Cash and cash equivalents

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Cash and cash equivalents* | | |
| Cash in hand | 7,897 | 9,773 |
| Balances with banks | | |
| In current accounts | 2,31,226 | 56,04,758 |
| In deposit accounts (with orginal maturity of less than 3 months ) | - | 31,65,588 |
| **Cash and cash equivalents in the statement of cash flow** | **2,39,123** | **87,80,119** |

## 11 Current Loans

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 1,00,000 | 3,00,000 |
| Advances to employees | 4,16,166 | 6,00,960 |
| | **5,16,166** | **9,00,960** |

## 12 Unbilled revenue

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue | 20,76,30,657 | 15,74,92,979 |
| | **20,76,30,657** | **15,74,92,979** |

## 13 Other current financial assets

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest accrued but not due | 2,20,884 | - |
| | **2,20,884** | - |

## 14 Other current assets

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Advances other than capital advances* | | |
| Other advances | 37,65,762 | 16,86,933 |
| Prepaid expenses | 65,23,678 | 3,12,895 |
| Balances with government authorities | - | - |
| | **1,02,89,440** | **19,99,828** |

## 15 Equity share capital

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorized** | | |
| 10,00,000 (31 March 2018: 10,00,000) equity shares of par value of Rs 10 each | 1,00,00,000 | 1,00,00,000 |
| | **1,00,00,000** | **1,00,00,000** |
| **Issued, subscribed and paid-up** | | |
| 10,00,000 (31 March 2018: 10,00,000) equity shares of par value of Rs 10 each, fully paid up | 1,00,00,000 | 1,00,00,000 |
| | **1,00,00,000** | **1,00,00,000** |

## 15.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| At the commencement of the year | 10,00,000 | 1,00,00,000 | 10,00,000 | 1,00,00,000 |
| Shares issued during the year | - | - | - | - |
| **At the end of the year** | **10,00,000** | **1,00,00,000** | **10,00,000** | **1,00,00,000** |

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**15.2 Rights, preferences and restrictions attached to equity shares**

The 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. The Company declares and pays dividends in Indian Rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**15.3 Shares held by holding company**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| **Equity shares of par value Rs 10 each** | | | | |
| Quess Corp Limited | 7,00,000 | 70,00,000 | 7,00,000 | 70,00,000 |
| | **7,00,000** | **70,00,000** | **7,00,000** | **70,00,000** |

**15.4 Details of shareholders holding more than 5% shares in the Company**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % Held | Number of shares | % Held |
| **Equity shares** | | | | |
| **Equity shares of par value Rs 10 each** | | | | |
| Quess Corp Limited | 7,00,000 | 70.00% | 7,00,000 | 70.00% |
| Anita Verghese | 3,00,000 | 30.00% | 3,00,000 | 30.00% |
| | **10,00,000** | | **10,00,000** | |

As per the records of the Company, including its register of members/shareholders, the above shareholding represents both legal and beneficial ownership of the shares.

**16 Other Equity ***

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Retained earnings | 16,92,22,724 | 15,45,11,951 |
| Other reserves | 32,50,000 | 15,00,000 |
| Other comprehensive income | 57,71,498 | 39,01,622 |
| | **17,82,44,222** | **15,99,13,573** |

* For detailed movement of reserves refer statement of changes in equity.

**16.1 Other comprehensive income**

Remeasurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income).

**17 Non-current provisions**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefit** | | |
| Provision for gratuity (refer note 38) | 1,04,81,027 | 1,78,78,212 |
| | **1,04,81,027** | **1,78,78,212** |

**18 Current borrowings**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Loans from bank repayable on demand | | |
| *Secured* | | |
| Cash credit and overdraft facilities (refer note 18.1 & 18.2) | 21,44,07,472 | 8,80,28,495 |
| *Loan from related parties, unsecured* | | |
| From Quess Corp Limited (refer note 18.3) | - | 2,90,00,000 |
| | **21,44,07,472** | **11,70,28,495** |

Information about the Company's exposure to interest rate and liquidity risk is included in note 31.

**18.1** The company has taken sanction for working capital limit of Rs. 24,00,00,000 (31 March 2018: Rs 15,00,00,000 ) from IDFC First Bank (*formerly IDFC Bank Limited*) at an interest rate of 9.35 % p.a. The IDFC First Bank will have paripassu charge on the current assets and unencumbered moveable fixed assets of the company. Further it is backed by corporate guarantee of holding company Quess Corp Limited .

**18.2** The company has taken sanction for working capital limit of Rs 11,00,00,000 (31 March 2018: NIL) from Kotak Mahindra Bank Limited at an interest rate of 9 % p.a. The Kotak Mahindra Bank will have paripassu charge on the current assets and unencumbered moveable fixed assets of the company along with IDFC First Bank. Further it is backed by corporate guarantee of holding company Quess Corp Limited.

**18.3** The Company has availed short term unsecured loan from its holding company Quess Corp Limited wherein the repayment should not be more than 12 months from the date of disbursement . The interest rate is charged at equivalent of 10 year India Government Bond rate with monthly interest periods. (Refer note 36)

**19 Trade payables**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to micro, small and medium enterprises (refer note 39) | - | - |
| Trade payables to related parties (refer note 36 (iii)) | (15,85,341) | - |
| Other trade payables | 1,63,36,199 | 1,32,03,589 |
| | **1,47,50,858** | **1,32,03,589** |

The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 31.

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**20 Other current financial liabilities**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Current maturities of long-term borrowings | | - |
| Interest accrued and not due | - | 8,65,772 |
| Capital creditors | 11,21,462 | 65,45,874 |
| Accrued salaries and benefits | 16,03,68,429 | 9,48,22,869 |
| Provision for expenses | 5,17,47,797 | 99,06,454 |
| | **21,32,37,688** | **11,21,40,969** |

The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 31.

**21 Current provisions**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 38) | 1,40,48,937 | 97,77,559 |
| | **1,40,48,937** | **97,77,559** |

**22 Other current liabilities**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 65,28,794 | 4,04,17,411 |
| | **65,28,794** | **4,04,17,411** |

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23 **Revenue from operations**

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Facility management services | 2,16,94,53,881 | 1,49,11,38,813 |
| | 2,16,94,53,881 | 1,49,11,38,813 |

24 **Other income**

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Interest income under the effective interest method on: | | |
| Deposits with banks | 2,49,924 | 2,12,145 |
| Interest income on present valuation of financial instruments | 1,67,083 | 2,87,862 |
| Liabilities no longer required written back | - | 7,26,235 |
| Miscellaneous income | 57,132 | 2,34,792 |
| | 4,74,139 | 14,61,034 |

25 **Cost of material and stores and spare parts consumed**

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Inventory at the beginning of the year | 58,16,306 | 52,23,006 |
| Add: purchases during the year | 6,30,56,373 | 5,66,49,843 |
| Less: Inventory at the end of the year | 73,07,907 | 58,16,306 |
| **Cost of materials, stores and spare parts consumed** | 6,15,64,772 | 5,60,56,543 |

26 **Employee benefits expenses**

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Salaries and wages | 1,58,02,67,446 | 1,10,93,12,995 |
| Contribution to provident and other funds | 18,75,05,484 | 13,79,70,233 |
| Expenses related to defined benefit plans | 52,38,491 | 37,71,657 |
| Staff welfare expenses | 1,58,99,313 | 1,52,76,212 |
| | 1,78,89,10,734 | 1,26,63,31,097 |

27 **Finance costs**

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Interest expenses | 2,03,98,885 | 1,35,90,652 |
| Other borrowing costs | 21,79,832 | 7,50,000 |
| | 2,25,78,717 | 1,43,40,652 |

28 **Depreciation expenses**

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Depreciation of property, plant and equipment (refer note 3) | 1,50,08,964 | 1,09,76,677 |
| | 1,50,08,964 | 1,09,76,677 |

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## 29 Other expenses

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sub-contractor charges | 4,69,62,964 | 1,18,48,162 |
| Recruitment and training expenses | 7,31,240 | 2,94,314 |
| Rent (refer note 37) | 73,72,912 | 73,03,981 |
| Power and fuel | 12,64,806 | 8,29,390 |
| Repairs & maintenance | | |
| - plant and machinery | 30,02,216 | 25,28,228 |
| - others | 50,53,653 | 29,91,517 |
| Legal and professional fees (refer note 29.1) | 9,56,75,900 | 76,46,910 |
| Rates and taxes | 8,72,711 | 25,44,969 |
| Printing and stationery | 20,40,299 | 17,28,977 |
| Stores and tools consumed | 7,83,80,211 | 3,13,20,519 |
| Travelling and conveyance | 44,61,491 | 26,83,855 |
| Communication expenses | 28,99,819 | 30,09,836 |
| Insurance | 47,90,039 | 14,85,527 |
| Bad debts written off | 35,98,781 | 64,81,618 |
| Bank charges | 2,34,821 | 1,93,374 |
| Impairment loss allowance on financial assets, net [refer note 31(i)] | 60,89,922 | 7,03,024 |
| Business promotion and advertisement expenses | 48,29,140 | 21,75,332 |
| CSR contributions [refer note 29.2] | 8,25,000 | 60,000 |
| Miscellaneous expenses | 15,58,696 | 12,94,605 |
| | **27,06,44,621** | **8,71,24,138** |

### 29.1 Payment to auditors (net of goods and services tax / service.tax; included in legal and professional fees)

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit | 4,00,000 | 4,00,000 |
| Limited review | 1,20,000 | 1,30,000 |
| Tax audit fee | 50,000 | 50,000 |
| | **5,70,000** | **5,80,000** |

### 29.2 Details of CSR expenditure

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on Corporate Social Responsibility ("CSR") activities. The areas for CSR activities are eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environment sustainability, disaster relief and rural development projects. A CSR committee has been formed by the company as per the Act. The funds required to be spent and funds spent during the year with respect to the Group are explained below:

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| a) Gross amount required to be spent by the Company during the year | 8,22,948 | - |
| b) Amount spent during the year | | |
| i) Construction or acquisition of any asset | - | - |
| ii) On purpose other than i) above | 8,25,000 | 60,000 |

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Golden Star Facilities And Services Private Limited
Notes to the financial statements for the year ended 31 March 2019

**30 Financial instruments - fair value and risk management**

**Accounting classification and fair values**

The carrying value and fair value of financial instruments by categories as at 31 March 2019 and 31 March 2018 is as follows:

**Fair value hierarchy**

The section explains the judgement and estimates made in determining the fair values of the financial instruments that are:

a) recognized and measured at fair value

b) measured at amortized cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

*(Amount in Rs)*

| Particulars | Carrying value | Fair Value | | |
|---|---|---|---|---|
| | 31 March 2019 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Non current financials assets | 63,37,935 | - | - | - |
| Loans | 56,98,301 | - | - | - |
| Trade receivables | 28,97,68,786 | - | - | - |
| Cash and cash equivalents | 2,39,123 | - | - | - |
| Unbilled revenue | 20,76,30,657 | - | - | - |
| Other non-current assets | 57,45,885 | | | |
| **Total financial assets** | **51,54,20,687** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Loans and borrowings | 21,44,07,472 | - | - | - |
| Trade payables | 1,47,50,858 | - | - | - |
| Other current financial liabilities | 21,32,37,688 | - | - | - |
| **Total financial liabilities** | **44,23,96,018** | - | - | - |

*(Amount in Rs)*

| Particulars | Carrying value | Fair Value | | |
|---|---|---|---|---|
| | 31 March 2018 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Non current financials assets | 5,42,597 | - | - | - |
| Loans | 52,71,905 | - | - | - |
| Trade receivables | 20,95,26,823 | - | - | - |
| Cash and cash equivalents | 87,80,119 | - | - | - |
| Unbilled revenue | 15,74,92,979 | - | - | - |
| Other non-current assets | 21,71,606 | - | - | - |
| **Total financial assets** | **38,37,86,029** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Loans and borrowings | 11,70,28,495 | - | - | - |
| Trade payables | 1,32,03,589 | - | - | - |
| Other current financial liabilities | 11,21,40,969 | - | - | - |
| **Total financial liabilities** | **24,23,73,053** | - | - | - |

**Fair value hierarchy**

**Level 1**: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price. The non-convertible debentures is classified under Level 1 being quoted debentures.

**Level 2**: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3**: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference shares included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

**A Financial Assets:**

Fair value of these assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

1 **Loans and borrowings:** It includes cash credit and overdraft facilities, working capital loan and bill discounting facilities. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the loan is reset on a monthly/quarterly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

2 **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

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## 31 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk

**Risk management framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Auditors Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The carrying amount of following financial assets represents the maximum credit exposure:

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However the management also considers the factors that may influence the credit risk of its customer base.The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three Months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

**Expected credit loss assessment for corporate customers as at 31 March 2019 and as at 31 March 2018 are as follows:**

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 270 days past due. Loss rates are based on actual credit loss experience over the last six quarters. These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers:**

**As at 31 March 2019**

*(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 13,09,97,855 | 0.22% | 2,85,585 | No | 13,07,12,270 |
| Past due 1–90 days | 15,41,31,633 | 3.31% | 50,95,169 | No | 14,90,36,464 |
| Past due 91–180 days | 97,05,224 | 23.14% | 22,45,640 | No | 74,59,584 |
| Past due 181–270 days | 56,29,750 | 54.52% | 30,69,283 | No | 25,60,467 |
| Past due 271–360 days | 1,42,80,087 | 100.00% | 1,42,80,087 | Yes | - |
| | **31,47,44,550** | | **2,49,75,764** | | **28,97,68,786** |

**As at 31 March 2018**

*(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 10,21,13,413 | 0.25% | 2,58,437 | No | 10,18,54,976 |
| Past due 1–90 days | 9,69,27,726 | 2.93% | 28,38,033 | No | 9,40,89,693 |
| Past due 91–180 days | 1,66,35,334 | 28.19% | 46,90,173 | No | 1,19,45,161 |
| Past due 181–270 days | 40,17,768 | 59.26% | 23,80,775 | No | 16,36,994 |
| Past due 271–360 days | 87,18,424 | 100.00% | 87,18,424 | Yes | - |
| | **22,84,12,666** | | **1,88,85,843** | | **20,95,26,823** |

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**Golden Star Facilities And Services Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**

Movement in allowance for impairment in respect of trade receivables.
The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance as at the beginning of the year | 1,88,85,843 | 1,81,82,819 |
| Impairment loss recognized | 60,89,922 | 7,03,024 |
| **Balance as at the end of the year** | **2,49,75,764** | **1,88,85,843** |

ii) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually, the excess of funds is invested in fixed deposits. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

**i) Financing arrangement**

The Company maintains the following line of credit:

a. The company has taken sanction for working capital limit of Rs. 24,00,00,000 (31 March 2018: Rs 15,00,00,000 ) from IDFC First Bank (*formerly IDFC Bank Limited*) at an interest rate of 9.35 % p.a. The IDFC First Bank will have paripassu charge on the current assets and unencumbered moveable fixed assets of the company. Further it is backed by corporate guarantee of holding company Quess Corp Limited .

b. The company has taken sanction for working capital limit of Rs 11,00,00,000 (31 March 2018: NIL) from Kotak Mahindra Bank Limited at an interest rate of 9% p.a. The Kotak Mahindra Bank will have paripassu charge on the current assets and unencumbered moveable fixed assets of the company along with IDFC First Bank. Further it is backed by corporate guarantee of holding company Quess Corp Limited.

c. The Company has availed short term unsecured loan from its holding company Quess Corp Limited wherein the repayment should not be more than 12 months from the date of disbursement . The interest rate is charged at equivalent of 10 year India Government Bond rate with monthly interest periods.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payments and excludes netting arrangements:

**As at 31 March 2019**

*(Amount in Rs)*

| Particulars | | Contractual cash flow | | | |
|---|---|---|---|---|---|
| | Carrying Amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 21,44,07,472 | 21,44,07,472 | - | - | |
| Trade payables | 1,47,50,858 | 1,47,50,858 | - | - | |
| Other financial liabilities | 21,32,37,688 | 21,32,37,688 | - | - | |

**As at 31 March 2018**

*(Amount in Rs)*

| Particulars | | Contractual cash flow | | | |
|---|---|---|---|---|---|
| | Carrying Amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 11,70,28,495 | 11,70,28,495 | - | - | |
| Trade payables | 1,32,03,589 | 1,32,03,589 | - | - | - |
| Other financial liabilities | 11,21,40,969 | 11,21,40,969 | - | - | - |

iii) **Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments.Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt.The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**(i) Currency risk**

The Company is not exposed to significant currency risk as the revenue and expenses are denominated only in INR.

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The borrowing comprises of cash credit facilities & working capital loan which carries fixed rate of interest and unsecured loan from holding company Quess Limited , which do not expose it to interest rate risk.

**Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | - | 2,90,00,000 |
| Fixed rate borrowings | 21,44,07,472 | 8,80,28,495 |
| **Total borrowings** | **21,44,07,472** | **11,70,28,495** |

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**32 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing and current borrowing, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the effective portion of cash flow hedges and cost of hedging.

The Company's policy is to keep the ratio below 2.00. The Company's adjusted net debt to equity ratio were as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total External liabilities | 21,44,07,472 | 11,70,28,495 |
| Less: Cash and cash equivalent | 2,39,123 | 87,80,119 |
| Adjusted net debt (total borrowings net of cash and cash equivalent) | **21,41,68,349** | **10,82,48,376** |
| Total equity | 18,82,44,222 | 16,99,13,573 |
| **Net debt (Total external liabilities) to equity ratio** | **1.14** | **0.64** |

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SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

**33 Contingent liabilities and commitment (to the extent not provided for)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Bank guarantees issued against performance of contract | 1,37,54,459 | 75,97,072 |
| | 1,37,54,459 | 75,97,072 |

**34 Earnings per share**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | 31 March 2018 |
|---|---|---|
| Nominal value of equity shares (Rs per share) | 10 | 10 |
| Net profit after tax for the purpose of earnings per share | 1,47,10,773 | 6,96,21,805 |
| Weighted average number of shares used in computing basic earnings per share | 10,00,000 | 10,00,000 |
| **Basic earnings per share (Rs)** | **14.71** | **69.62** |
| Weighted average number of shares used in computing diluted earnings per share | 10,00,000 | 10,00,000 |
| **Diluted earnings per share (Rs)** | **14.71** | **69.62** |

**35 Segment reporting**

The Chief Executive Officer and Managing Director of the company has been identified as the Chief Operating Decision Maker ("CODM") as defined by Ind AS 108, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on an analysis of various per formance indicators by service offerings. Accordingly, the Company is engaged in the business of providing facility management services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

**36 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Ultimate Holding Company | Fairfax Financial Holdings Limited |
| - Holding Company | Quess Corp Limited |
| - Fellow Subsidiaries | Aravon Services Private Limited<br>CentreQ Business Services Private Limited<br>Coachieve Solutions Private Limited<br>Conneqt Business Solutions Limited (fka: Tata Business Support Services Limited)<br>Dependo Logistics Solutions Private Limited<br>Excelus Learning Solutions Private Limited<br>Greenpiece Landscapes India Private Limited<br>Inticore VJP Advance Systems Pvt. Ltd. ( Upto August 29, 2018)<br>Master Staffing Solutions Private Limited<br>MFX Infotech Private Limited<br>Monster.com (India) Private Limited<br>Qdigi Services Limited (fka: HCL Computing Products)<br>Vedang Cellular·Services Private Limited<br>Brainhunter Companies LLC<br>Brainhunter Systems Ltd.<br>Comtel Solutions Pte. Limited<br>Comtelink Sdn. Bhd.<br>Comtelpro Pte. Limited<br>Ikya Business Services (Private) Limited<br>MFX Chile SpA<br>MFXchange Holdings Inc.<br>MFXchange US Inc.<br>Mindwire Systems Limited<br>Monster Malaysia SDN. BHD<br>Monster.com.HK Limited<br>Monster.com.SG PTE Limited<br>Quess Corp (USA) Inc.<br>Quess Corp Holdings Pte Ltd<br>Quess Corp Vietnam LLC<br>Quess Lanka (Private) Limited [(fka: Randstad Lanka (Private) Limited)]<br>Quess Philippines Corp.<br>Quessglobal Malaysia Sdn. Bhd.<br>Simpliance Technologies Private Limited<br>Quess East Bengal FC Private Limited (w.e.f. November 16, 2018) |

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Golden Star Facilities And Services Private Limited
Notes to the financial statements for the year ended 31 March 2019

| | |
|---|---|
| - Associates of the holding company | Heptagon Technologies Private Limited<br>Terrier Security Services (India) Private Limited<br>Trimax Smart Infraprojects Private Limited<br>Quess Recruit, Inc. |
| - Joint Venture of a fellow subsidiary | Himmer Industrial Services (M) Sdn. Bhd. |
| - Entity having common directors | Master Staffing Solutions Private Limited |
| - Fellow subsidiary of holding company | National Collateral Management Services Limited |
| - Entities in which key managerial personnel of holding company has significant influence | Styracorp Management services (till 19 December 2018) |

**Key management personnel**

| | |
|---|---|
| Ajit Isaac | Chairman & Managing Director & CEO |
| Subrata Kumar Nag. | Whole time Director and Chief Executive Officer |
| Anita Verghese | Managing Director |
| Manoj Jain | Chief Financial Officer |

(ii) **Related party transactions during the year**

*(Amount in Rs)*

| Particulars | | For the year ended | |
|---|---|---|---|
| | | 31 March 2019 | 31 March 2018 |
| - Revenue from operations | Quess Corp Limited | 56,69,805 | 43,05,942 |
| - Other expenses | Terrier Security Services (India) Private Limited | 1,15,11,842 | - |
| | Quess Corp Limited | 8,50,00,000 | - |
| - Loans given by holding company | Quess Corp Limited | 10,00,00,000 | 6,50,00,000 |
| - Repayment/Adjustment of loans given by holding company | Quess Corp Limited | 12,90,00,000 | 3,60,00,000 |
| - Finance costs | Quess Corp Limited | 18,54,495 | 9,61,969 |
| - Corporate Guarantee given to bank by the holding Company | Quess Corp Limited | 35,00,00,000 | 15,00,00,000 |

(iii) **Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs)*

| Particulars | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| - Trade payables | Terrier Security Services (India) Private Limited | (15,85,341) | - |
| - Trade receivables (gross of loss allowance) | Quess Corp Limited | 11,24,240 | 31,478 |
| - Current borrowings | Quess Corp Limited | - | 2,90,00,000 |
| - Other current financial liabilities | Quess Corp Limited | - | 8,65,772 |
| - Provision for expenses | Terrier Security Services (India) Private Limited | 96,22,269 | - |
| | Quess Corp Limited | 2,00,00,000 | |

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

SRIRAMULU NAIDU & CO. BANGALORE Chartered Accountants

**(iv) Compensation of key managerial personnel***

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Anita Verghese | 58,62,072 | 58,62,072 |
| | **58,62,072** | **58,62,072** |

* Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

**37 Leases**

**Operating Leases**

The Company has taken operating leases for offices under cancellable lease agreements that are renewable on periodic basis at the option of both lessor and lessee. The total rent expense debited to the statement of profit and loss for the current year.

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Payable within 1 year | - | - |
| Payable between 1-5 years | - | - |

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | **73,72,912** | **73,03,981** |
| - Non-cancellable | - | - |
| - Cancellable | 73,72,912 | 73,03,981 |

**38 Assets and liabilities relating to employee benefits**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 2,45,29,964 | 2,76,55,771 |
| Liability for compensated absences | - | - |
| **Total employee benefit liability** | **2,45,29,964** | **2,76,55,771** |
| Current | 1,40,48,937 | 97,77,559 |
| Non-current | 1,04,81,027 | 1,78,78,212 |

The Company does not have any assets relating to employee benefits. For details about the related employee benefit expenses, see note 26.

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act,1972. It entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

**A Funding**

The Company's gratuity scheme for employees is administered through a trust with the Life Insurance Corporation of India. The funding requirements are based on the gratuity funds actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purpose for which assumptions are same as set out below. Employees do not contribute to the plan.

The Company has determined that, in accordance with the terms and conditions of gratuity plan, and in accordance with statutory requirements (including minimum funding requirements) of the plan, the present value of refund or reduction in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations

**B Reconciliation of net defined benefit liability/asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Reconciliation of present value of defined benefit obligation** | | |
| Obligation at the beginning of the year | 2,76,55,771 | 2,12,98,122 |
| Current service cost | 40,12,549 | 27,75,667 |
| Interest cost | 12,25,942 | 8,99,685 |
| Past service cost | - | 96,305 |
| Benefit settled | (18,23,725) | (3,62,405) |
| Actuarial (gains)/ losses recognised in other comprehensive income | | |
| - Changes in experience adjustments | (26,05,829) | 30,62,693 |
| - Changes in demographic assumptions | - | - |
| - Changes in financial assumptions | 15,256 | (1,14,296) |
| **Obligation at end of the year** | **2,84,79,964** | **2,76,55,771** |
| **Net defined benefit liability** | **2,84,79,964** | **2,76,55,771** |

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C **(i) Expense recognised in profit or loss**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 40,12,549 | 27,75,667 |
| Interest cost | 12,25,942 | 8,99,685 |
| Past service cost | - | 96,305 |
| **Net gratuity cost** | **52,38,491** | **37,71,657** |

**(ii) Remeasurements recognised in other comprehensive income**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Actuarial (gains) /losses on defined benefit obligation | (25,90,573) | 29,48,397 |
| | **(25,90,573)** | **29,48,397** |

D **Defined benefit obligation - Actuarial Assumptions**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Discount rate | 6.50% | 6.55% |
| Future salary growth | 6.00% | 6.00% |
| Attrition rate | 70.00% | 70.00% |

E **Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (1% movement) | 2,81,83,429 | 2,87,93,443 | 2,73,75,465 | 2,79,43,909 |
| Future salary growth (1% movement) | 2,86,29,947 | 2,83,31,773 | 2,78,11,937 | 2,75,01,676 |

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## 39 Revenue from Contracts with customers

### (i) Disaggregation of revenue

The Company is.providing facility managment services accross India to various customers.

### (ii) Trade Receivables and Contract Balances

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 28,97,68,786 | 20,95,26,823 |
| Contract assets | 20,76,30,657 | 15,74,92,979 |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs.)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 15,74,92,979 |
| Add : Revenue recognized during the period | 2,16,94,53,881 |
| Less : Invoiced during the period | 2,11,93,16,203 |
| Less : Impairment / (reversal) during the period | - |
| Add : Translation gain/(Loss) | - |
| Balance at the end | 20,76,30,657 |

### (iii) Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

### (iv) Changes in accounting policies

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these financial statements. The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The quantitative impact of the adoption of Ind AS 115 on the financial statements in the period of initial application is not material.

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**40 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
***for* Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

**S Deenadayal**
Partner
Membership No.: 205194

Place: Bengaluru
Date: 8-May-2019

*for* and on behalf of Board of Directors of
**Golden Star Facility and Services Private Limited**

**Anita Verghese**
Managing Director
DIN: 01933949

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

**SRIRAMULU NAIDU & CO.**
Chartered Accountants

G-8 'H' Block, "Golden Orchid Apartments"
Kasturba Road, Bangalore - 560 001
Phone : 080-4124 6474, 4202 4527
E-Mail : contactddca@gmail.com

**Independent Auditor`s Report**

**To The Members of M/s. Master Staffing Solutions Private Limited**

**Report on the Audit of the Ind AS Financial Statements**

**Opinion:**

We have audited the accompanying Ind AS financial statements of **M/s. Master Staffing Solutions Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive income), the Statement of Cash Flows and the statement of changes in equity for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements").

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and cash flows for the year ended on that date.

**Basis for Opinion**

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 (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

**Key Audit Matters:**

The Board of Directors of the Company had at its Meeting held on 20th October, 2018, approved the **Scheme of amalgamation ("Scheme")** among **Master Staffing Solutions Private Limited ("MSSP")** together known as **("Transferor Companies")** with **Quess Corp Limited ("Transferee Company").** Upon the scheme becoming effective the Transferor Companies stands dissolved, all the assets and liabilities of the transferor companies will be recorded at their book values in the Transferee Company. On 27th March 2019 the Scheme has been filed with BSE and NSE. The Scheme of amalgamation shall be subject to receipt of necessary approvals of shareholders and creditors, SEBI, Stock Exchanges, Regional Director and other regulatory authorities as may be required.

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BANGALORE
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**Information Other than the Ind AS Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexure's to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of 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, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS 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.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities**

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 Ind AS financial statements.

SRIRAMULU NAIDU & CO.,
BANGALORE
Chartered Accountants

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 Ind AS 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Ind AS financial statements that, individually or in aggregate, make it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in

(i) Planning the scope of our audit work and in evaluating the results of our work; and
(ii) To evaluate the effect of any identified misstatements in the financial statements.

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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation

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precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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.

   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 has no pending litigations that would impact the financial position of the company
      ii) The company did not have material foreseeable loss on long term contracts including derivatives contracts
      iii) There were no amounts which were required to be transferred to Investor Education and Protection Fund by the Company

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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 paragraph 3 and 4 of the Order.

*for* **Sriramulu Naidu & Co.**
*Chartered Accountants*
Firm's registration number: 008975S

**S Deenadayal**
*Partner*
Membership number: 205194

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

Place: Bengaluru
Date: 30th April, 2019

**Annexure - A to the Auditors' Report**

**Report on the Internal Financial Controls 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 Master Staffing Solutions Private Limited ("the Company") as of 31 March 2019 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 Board of Directors of the Company 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 respective 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 internal financial controls over financial reporting of the Company 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 judgment, 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 internal financial controls system over financial reporting of the Company.

**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

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(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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**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, 2019, 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.

*For **Sriramulu*** **Naidu & Co.**
***Chartered Accountants***
Firm's registration number: 008975S

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

**S Deenadayal**
*Partner*
Membership number: 205194

Place: Bengaluru
Date: 30th April, 2019

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

The Annexure referred to in Independent Auditors' Report to the members of the Company on the Ind AS financial statements for the year ended 31 March 2019, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of it's assets.

(c) The Company does not hold any immovable properties. Accordingly, provisions of clause 3(ii) (c) of the Order are not applicable.

(ii) The Company is in the business of providing facility management services and does not have any physical inventories. Accordingly, reporting under clause 3(ii) of the Order is not applicable to the Company.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

(v) The Company has not accepted any deposits within the meaning of Section 73 to 76 of the Act and the Companies (Acceptance of deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the order are not applicable.

(vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

SRIRAMULU NAIDU & Co.,
BANGALORE
Chartered Accountants

b) The dues outstanding in respect of service tax on account of any dispute are as follows:

| **Name of the statute** | **Nature of dues** | **Amount (₹)** | **Amount Paid Under Protest (₹)** | **Period to which the amount relates** | **Period to which the amount relates** | **Forum where dispute is pending** |
|---|---|---|---|---|---|---|
| Finance Act 1994 | Non Payment of Services Tax | 40,22,237 | 30,00,10 | April 2010 to March 2012 | FY 2010-11 FY 2011-12 | Commissioner ( Appeals) |
| Finance Act 1994 | Claim Of ineligible inputs | 9,05,714 | - | April 2012 to February 2013 | FY 2012-13 | CESTAT |

(viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) In our opinion and according to the information and explanation given to us, Company is a private limited company, hence the provisions of sec 197 of the Act, not applicable. Accordingly paragraph 3(xi) of the Order is not applicable.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Ind AS financial statements as required by the applicable Indian accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

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(xv) According to the information and explanations given to us and based on our examination of the records of the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

*For* **Sriramulu Naidu & Co.**
*Chartered Accountants*
Firm's registration number: 08975S

**S Deenadayal**
*Partner*
Membership number: 205194

Place: Bengaluru
Date: 30th April, 2019

**Master Staffing Solutions Private Limited**

| Balance Sheet | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| | | *(Amount in Rs)* | |
| ASSETS | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 6,62,108 | 13,25,170 |
| **Financial assets** | | | |
| (ii) Non-current loans | 4 | 22,54,992 | 2,50,050 |
| (iii) Other non-current financial assets | | - | - |
| Deferred tax assets (net) | 5 | 3,14,54,924 | 3,70,69,161 |
| Income tax assets (net) | 5 | 5,45,30,642 | 3,89,70,051 |
| Other non-current assets | 6 | 5,46,963 | 3,00,010 |
| **Total non-current assets** | | **8,94,49,629** | **7,79,14,442** |
| **Current assets** | | | |
| **Financial assets** | | | |
| (ii) Trade receivables | 7 | 36,68,38,424 | 42,62,97,583 |
| (iii) Cash and cash equivalents | 8 | 3,88,94,523 | 1,11,84,416 |
| (v) Current loans | 9 | 22,00,238 | 52,91,330 |
| (vi) Unbilled revenue | 10 | 68,68,500 | 2,49,40,001 |
| Other current assets | 11 | 95,86,183 | 1,04,69,247 |
| **Total current assets** | | **42,43,87,868** | **47,81,82,577** |
| **Total assets** | | **51,38,37,497** | **55,60,97,019** |
| EQUITY AND LIABILITIES | | | |
| **Equity** | | | |
| Equity share capital | 12 | 1,01,00,000 | 1,01,00,000 |
| Other equity | 13 | 18,88,73,288 | 15,36,21,715 |
| **Total equity attributable to equity holders of the Company** | | **19,89,73,288** | **16,37,21,715** |
| **Total equity** | | **19,89,73,288** | **16,37,21,715** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| **Financial liabilities** | | | |
| Non-current provisions | 14 | 1,88,98,743 | 2,63,97,469 |
| **Total non-current liabilities** | | **1,88,98,743** | **2,63,97,469** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (ii) Trade payables | 15 | 97,01,724 | 4,22,35,005 |
| (iii) Other current financial liabilities | 16 | 22,39,84,195 | 17,28,79,606 |
| Current provisions | 17 | 4,00,955 | 57,65,827 |
| Other current liabilities | 18 | 6,18,78,593 | 14,50,97,397 |
| **Total current liabilities** | | **29,59,65,467** | **36,59,77,835** |
| **Total Liabilities** | | **31,48,64,210** | **39,23,75,304** |
| **Total Equity and Liabilities** | | **51,38,37,498** | **55,60,97,019** |

*The notes referred to above form an integral part of the consolidated financial statements*

*As per our report of even date attached*
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

**S Deenadayal**
Partner
Membership No.: 205194

Place: Bengaluru
Date: 30 April 2019

*for* and on behalf of the Board of Directors of
**Master Staffing Solutions Private Limited**

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 30 April 2019

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Place: Bengaluru
Date: 30 April 2019

Master Staffing Solutions Pvt. Ltd. Bangalore-17

**Master Staffing Solutions Private Limited**

| Statement of profit and loss | Note | For the year ended 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| | | | *(Amount in Rs)* |
| **Income** | | | |
| Revenue from operations | 19 | 1,57,35,17,869 | 1,71,18,90,774 |
| Other income | 20 | 9,99,945 | 9,751 |
| **Total income** | | **1,57,45,17,814** | **1,71,19,00,525** |
| **Expenses** | | | |
| Employee benefit expenses | 21 | 1,47,37,79,954 | 1,61,77,20,047 |
| Finance costs | 22 | 5,04,553 | 6,20,613 |
| Depreciation and amortisation expenses | 23 | 6,63,062 | 8,80,046 |
| Other expenses | 24 | 6,79,90,298 | 4,54,80,908 |
| **Total expenses** | | **1,54,29,37,866** | **1,66,47,01,614** |
| **Profit before share of profit of equity accounted investees and income tax** | | **3,15,79,948** | **4,71,98,911** |
| Share of profit of equity accounted investees (net of income tax) | | - | - |
| **Profit before tax** | | **3,15,79,948** | **4,71,98,911** |
| **Tax credit/ (expense)** | | | |
| Current tax | 5 | (91,94,274) | (1,16,91,344) |
| Deferred tax (including MAT credit entitlement) | 5 | (6,12,163) | (39,14,033) |
| **Total tax credit/ (expense)** | | **(98,06,437)** | **(1,56,05,377)** |
| **Profit for the year** | | **2,17,73,511** | **3,15,93,534** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement losses on defined benefit plans | 33 | 1,79,80,136 | (97,607) |
| Income tax relating to items that will not be reclassified to profit or loss | | (50,02,074) | 32,272 |
| **Total other comprehensive income for the year, net of income tax** | | **1,29,78,062** | **(65,335)** |
| **Total comprehensive income for the year** | | **3,47,51,573** | **3,15,28,199** |
| **Profit attributable to** | | | |
| Owners of the Company | | 2,17,73,511 | 3,15,93,534 |
| Non-controlling interests | | - | - |
| **Total profit for the year** | | **2,17,73,511** | **3,15,93,534** |
| **Other comprehensive income attributable to** | | | |
| Owners of the Company | | 1,29,78,062 | (65,335) |
| Non-controlling interests | | - | - |
| **Total other comprehensive income for the year** | | **1,29,78,062** | **(65,335)** |
| **Total comprehensive income attributable to :** | | | |
| Owners of the Company | | 3,47,51,573 | 3,15,28,199 |
| Non-controlling interests | | - | - |
| **Total comprehensive income for the year** | | **3,47,51,573** | **3,15,28,199** |
| **Earnings per equity share (face value of INR 10.00 each)** | | | |
| Basic (in INR) | 29 | 21.56 | 31.28 |
| Diluted (in INR) | 29 | 21.56 | 31.28 |

*The notes referred to above form an integral part of the financial statements.*

*As per our report of even date attached*
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

**S Deenadayal**
Partner
Membership No.: 205194

SRIRAMULU NAIDU & Co., BANGALORE, Chartered Accountants

Place: Bengaluru
Date: 30 April 2019

*for* and on behalf of the Board of Directors of
**Master Staffing Solutions Private Limited**

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 30 April 2019

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Master Staffing Solutions Pvt. Ltd. Bangalore-17

Place: Bengaluru
Date: 30 April 2019

Master Staffing Solutions Private Limited.

*(Amount in Rs)*

| Statement of Cash Flows | For the year ended 31 Mar 2019 | For the year ended 31 Mar 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit Before tax | 3,15,79,948 | 4,71,98,911 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 6,63,062 | 8,80,046 |
| Bad debts written off | 16,72,950 | 12,33,275 |
| Provision for bad and doubtful debts, net | (48,99,070) | (11,98,666) |
| Finance costs | 5,04,553 | 6,20,613 |
| **Operating cash flows before working capital changes** | **2,95,21,443** | **4,87,34,179** |
| Changes in inventories, trade receivables and unbilled revenue | 8,07,56,780 | (16,16,65,001) |
| Changes in loans, other financial assets and other assets | 17,22,261 | (2,56,58,365) |
| Changes in trade payables and other financial liabilities | 1,85,71,306 | 13,60,44,974 |
| Changes in other liabilities and provisions | (8,31,04,340) | 10,09,41,042 |
| **Cash generated from operations** | **4,74,67,449** | **9,83,96,829** |
| Income taxes paid, net of refund | (1,97,52,791) | (1,94,94,093) |
| *Routed through P&L* | | |
| **Net cash provided by/ (used in) operating activities (A)** | **2,77,14,658** | **7,89,02,736** |
| | | |
| **Cash flows from investing activities** | | |
| Expenditure on property, plant and equipment and intangibles, net of sale proceeds | - | (7,38,577) |
| **Net cash used in investing activities (B)** | - | **(7,38,577)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from Short borrowings | - | (6,88,11,145) |
| Interest paid | (4,552) | (1,20,613) |
| **Net cash provided by financing activities (C)** | **(4,552)** | **(6,89,31,758)** |
| | | |
| Net increase in cash and cash equivalents (A+B+C) | 2,77,10,106 | 92,32,401 |
| | | |
| Cash and cash equivalents at the beginning of the period | 1,11,84,416 | 19,52,015 |
| Cash and cash equivalents acquired on amalgamation | | |
| **Cash and cash equivalents at the end of the year (refer note 9)** | **3,88,94,522** | **1,11,84,416** |

*The notes referred to above form an integral part of the consolidated financial statements*

*As per our report of even date attached*

*for* **Sriramulu Naidu & Co.**

Chartered Accountants

Firm registration number: 008975S

**S Deenadayal**

Partner

Membership No.: 205194

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

*for and on behalf of the Board of Directors of*

**Master Staffing Solutions Private Limited**

**Srinivasan Guruprasad**

Director

DIN: 07596207

**Chidambaram Anand Sundar Raj**

Director

DIN: 07971482

Master Staffing Solutions Pvt. Ltd. Bangalore-17

Place: Bengaluru

Date: 30 April 2019

Place: Bengaluru

Date: 30 April 2019

Place: Bengaluru

Date: 30 April 2019

Master Staffing Solutions Private Limited
Consolidated Statement of Changes in Equity for the year ended 31 March 2019

(A) Equity share capital

| Particulars | Note | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| Opening balance | 12 | 1,01,00,000 | 1,01,00,000 |
| Changes in equity share capital | 12 | | |
| **Closing balance** | | **1,01,00,000** | **1,01,00,000** |

(B) Other equity

| Particulars | Note | Reserves and surplus | | Other comprehensive income | |
|---|---|---|---|---|---|
| | | Retained earnings | Other reserves | Remeasurement of the net defined benefit liability/asset | Total attributable to equity holders of the Company |
| **Balance as of 1 April 2017** | | **11,66,70,935** | **5,00,000** | **44,22,581** | **12,15,93,516** |
| **Total comprehensive income for the year ended 31 March 2018** | **13** | | | | |
| Profit for the year | | 3,15,93,534 | | | 3,15,93,534 |
| Other comprehensive income (net of tax) | | | | (65,335) | (65,335) |
| Add: Fair value of financial guarantee received | | - | 5,00,000 | | 5,00,000 |
| **Total comprehensive income** | | **3,15,93,534** | **5,00,000** | **(65,335)** | **3,20,28,199** |
| | | - | - | - | - |
| **Balance as at 31 March 2018** | | **14,82,64,469** | **10,00,000** | **43,57,246** | **15,36,21,715** |

SRIRAMULU NAIDU & Co., BANGALORE ★ Chartered Accountants ★

Master Staffing Solutions Pvt. Ltd. Bangalore-17 ★

| Particulars | Note | Reserves and surplus | | Other comprehensive income | Total attributable to equity holders of the Company |
|---|---|---|---|---|---|
| | | Retained earnings | Other reserves | Remeasurement of the net defined benefit liability/asset | |
| **Balance as of 1 April 2018** | | **14,82,64,469** | **10,00,000** | **43,57,246** | **15,36,21,715** |
| **Total comprehensive income for the year ended 31 March 2019** | **13** | | | | |
| Profit for the year | | 2,17,73,511 | | | 2,17,73,511 |
| Other comprehensive income (net of tax) | | | 5,00,000 | 1,29,78,062 | 1,34,78,062 |
| Exchange differences on translation of foreign operations | | | | | - |
| investees (net of tax) | | | | | - |
| **Total comprehensive income** | | **2,17,73,511** | **5,00,000** | **1,29,78,062** | **3,52,51,573** |
| **Balance as of 31 March 2019** | | **17,00,37,980** | **15,00,000** | **1,73,35,308** | **18,88,73,288** |

*The notes referred to above form an integral part of the consolidated financial statements.*

*As per our report of even date attached*
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

**S Deenadayal**
Partner
Membership No.: 205194

Place: Bengaluru
Date: 30 April 2019

SRIRAMULU NAIDU & Co., BANGALORE, Chartered Accountants

*for* and on behalf of the Board of Directors of
**Master Staffing Solutions Private Limited**

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 30 April 2019

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Place: Bengaluru
Date: 30 April 2019

Master Staffing Solutions Pvt. Ltd. Bangalore-17

# Master Staffing Solutions Private Limited
## Notes to the financial statements for the year ended 31 March 2019

### 1. Company overview

Master Staffing Solutions Private Limited ("the Company"), a private limited company, was incorporated on 13 November 2009 under the provisions of the Companies Act, 1956. The registered office of the Company is located in Bengaluru. The Company is engaged in the business of providing facility management services.

### 2. Basis of preparation

### 2.1 Statement of compliance

The financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), the provisions of the Companies Act, 2013 ("Act") (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules 2016 issued thereafter.

Effective 1 April 2016, the Company has adopted all the Ind AS standards and the first time adoption was carried out in accordance with Ind AS 101, First time adoption of Indian Accounting Standards with April 1, 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company's Ind AS financial statements are approved for issue by the Company's Board of Directors on 30 April 2019.

The Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency and all amounts have been rounded-off to the nearest rupees.

### 2.2 Basis of measurement and significant accounting policies

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO") and

iii. Contingent consideration in business combinations are measured at fair value.

### 2.3 Use of estimates and judgment

The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the stand alone financial statements is included in the following notes:

Master Staffing Solutions Pvt. Ltd. Bangalore-17

SRIRAMULU NAIDU & Co. BANGALORE Chartered Accountants

### 2.3 Use of estimates and judgment (continued)

i. ***Income taxes***: Significant judgments are involved in determining provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

**ii. *Measurement of defined benefit obligations:*** The cost of the defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

**iii. *Impairment of financial assets*:** The Company assesses on a forward looking basis the expected credit losses associated with financial assets carried at amortized cost.

**iv. *Property, plant and equipment and Intangible assets:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

**v. *Other estimates:*** The impairment of non-financial assets involves key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets.

### 2.4 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 2.7 Property, plant and equipment

#### i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

Sriramulu Naidu & Co. Chartered Accountants Bangalore

Master Staffing Solutions Pvt. Ltd. Bangalore

**Master Staffing Solutions Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**

**Property, plant and equipment (continued)**

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the statement of profit and loss when incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'

**ii) Depreciation**

Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognised in the statement of profit and loss. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of). The Company has estimated the useful lives for property, plant and equipment as follows:

| Assets Category | Estimated Useful Life |
|---|---|
| Computer & Equipment | 3-7 years |
| Furniture and Fixtures | 4-7 years |
| Office Equipment | 4-5 years |

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

**2.8 Impairment of non-financial assets**

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

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**Notes to the financial statements for the year ended 31 March 2019**

### 2.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### 2.10 Revenue recognition

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration we expect to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognised as the services are performed as per the terms of the arrangement with the customer.

Refer Note 35 for disclosure related to revenue from contracts with customers.

**Policy in case of Unbilled revenue and unearned revenue**

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

**Policy in case of Contract modifications**

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services

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**Revenue recognition (continued)**

added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

**Policy in case of variable consideration**

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

**Policy in case of warranties**

The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

**Policy in case of cost of obtaining a contract**

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

**Policy in case of cost of fulfilling a contract**

The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

**Policy in case of significant financing component**

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

**Policy in case of Principal vs. agent**

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

**2.11 Other income**

Other income mostly comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

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## Master Staffing Solutions Private Limited
## Notes to the financial statements for the year ended 31 March 2019

### 2.12 Financial instruments

**a) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b) Classification and subsequent measurement financial assets**

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair Value through Profit & Loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii) A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(iii) On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI designated as FVOCI - equity investment). This election is made on an investment-to-investment basis. All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mistake that would otherwise arise.

**Financial instruments (continued)**

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial Assets, at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit and loss. |
| Financial Assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is amortised cost reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the stand alone statement of profit and loss. Any gain or loss on derecognition is recognised in the statement of profit and loss |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the stand alone statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to stand alone statement of profit and loss. |

**c) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 27 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

**d) Derecognition of financial assets**

A financial asset is derecognised only when:

- The Company has transferred the rights to receive cash flows from the financial asset; or

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

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**Notes to the financial statements for the year ended 31 March 2019**

**Financial instruments (continued)**

**Financial liabilities**

Classification, subsequent measurement and gains and losses

"Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of profit and loss. Other financial liabilities subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of profit and loss. Any gain or loss is also recognised in the statement of profit and loss. "

**Financial guarantee contracts** "

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.13 Employee benefits**

**(a) Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**(b) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit Method as at the reporting date.

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**Employee benefits (continued)**

**(c) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the stand alone statement of profit and loss during the period in which the employee renders the related service.

**(d) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the reporting date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the Statement of profit and loss does not include an expected return on plan assets. Instead net interest recognised in the Statement of profit and loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurement comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to the Statement of profit and loss in subsequent periods.

**(e) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**2.14 Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the Statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable

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### Taxes (continued)

temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

### 2.19 Provisions (other than employee benefits)

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

### Onerous contract

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

### 2.20 Contingent liability

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

### 2.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### 2.22 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

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Notes to the financial statements for the year ended 31 March 2019

### 2.23 Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

### 2.24 Segment reporting

Based on the "management approach" as defined in Ind AS 108, Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, the Company is engaged in the business of providing facility management services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

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Notes to the financial statements for the year ended 31 March 2019

4 **Non current loans**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unsecured - Considered good | | |
| Security deposits | 22,54,992 | 2,50,050 |
| | 22,54,992 | 2,50,050 |

5 **Taxes**

A **Amount recognised in profit or loss**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| *Current tax:* | | |
| In respect of the current period | (91,94,274) | (1,16,91,344) |
| Excess provision related to prior years | - | - |
| *Deferred tax:* | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | (6,12,163) | (39,14,033) |
| Increase/ reduction of tax rate | - | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **(98,06,437)** | **(1,56,05,377)** |

B **Income tax recognised in other comprehensive income**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | 1,79,80,136 | (97,607) |
| Tax (expense)/ benefit | (50,02,074) | 32,272 |
| **Net of tax** | **1,29,78,062** | **(65,335)** |

D **Reconciliation of effective tax rate**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | | For the year ended 31 March 2018 | |
|---|---|---|---|---|
| | Rate | Amount | Rate | Amount |
| Profit before tax | | 3,15,79,948 | | 4,71,98,911 |
| Tax using the Company's domestic tax rate | 27.82% | 87,85,542 | 33.06% | 1,56,05,376 |
| **Effect of:** | | | | |
| Tax exempt income | 0.00% | - | 0.00% | - |
| Non-deductible expenses | 0.00% | - | - | - |
| Other allowances net of MAT credit | -8.81% | (27,83,349) | - | - |
| Unrecognised tax losses | 0.00% | - | - | - |
| Deferred tax credit for earlier periods | 0.00% | - | - | - |
| Difference in enacted tax rate | -18.61% | (58,78,281) | - | - |
| Others | -16.99% | (53,65,481) | - | - |
| **Effective tax rate** | **-16.60%** | **(52,41,570)** | **33.06%** | **1,56,05,376** |
| Excess provisions relating to earlier years | - | - | - | - |
| **Income tax credit/(expense) reported in the Statement of Profit and Loss** | **0.00%** | **(52,41,570)** | **0.00%** | **1,56,05,376** |

E **The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018**

**Non-current tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 5,45,30,642 | 3,89,70,051 |
| Income tax liabilities | - | |
| **Net income tax assets at the end of the year** | **5,45,30,642** | **3,89,70,051** |

**Deferred tax assets (net)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax asset on liabilities:** | | |
| Impairment loss allowance on financial assets | 3,17,490 | 19,97,104 |
| Provision on employee benefits- Gratuity | 53,69,176 | 1,04,15,432 |
| Provision on employee benefits- Compensated absences | - | 2,18,718 |
| Deffered Tax on Bonus | 2,27,80,152 | 2,43,01,754 |
| Deferred Tax others | - | - |
| **Deferred tax asset on assets:** | - | |
| Deffered tax on fixed assets | 2,04,757 | 1,36,153 |
| Minimum alternate tax credit entitlement | 27,83,349 | - |
| **Net deferred tax assets** | **3,14,54,924** | **3,70,69,161** |

The movement of deffered tax aggregating Rs. 56.14 lakhs for the year ended 31 March 2019 (previous year ; Rs. 155.73 lakhs) comprises of Rs.0.06 lakhs (previous year: Rs. 156.05 lakhs ) charged to profit and loss account and Rs.50.02 lakhs (previous year; Rs.0.32) lakhs charged to other comprehensive income.

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G **Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Reporting Currency)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | 19,97,104 | - | (16,79,614) | - | 3,17,490 |
| Provision for employee benefits | 1,04,15,432 | - | (44,182) | (50,02,074) | 53,69,176 |
| Provision for bonus | 2,43,01,754 | - | (15,21,602) | - | 2,27,80,152 |
| Provision on employee benefits- Compensated absences | 2,18,718 | - | (2,18,718) | | - |
| Fixed assets | 1,36,153 | - | 68,604 | - | 2,04,757 |
| MAT credit entitlement | - | - | 27,83,349 | - | 27,83,349 |
| | **3,70,69,161** | - | **(6,12,163)** | **(50,02,074)** | **3,14,54,924** |

*(Amount in Reporting Currency)*

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | 23,93,419 | - | (3,96,315) | - | 19,97,104 |
| Provision for employee benefits | 1,71,81,320 | - | (65,79,441) | 32,272 | 1,06,34,151 |
| Provision for bonus | 2,13,10,003 | - | 29,91,751 | - | 2,43,01,754 |
| Fixed assets | 65,965 | - | 70,188 | - | 1,36,152 |
| Others | 215 | - | (215) | - | - |
| | **4,09,50,922** | - | **(39,14,032)** | **32,272** | **3,70,69,161** |

6 **Other non-current assets**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Advances other than capital advances** | | |
| Balances with government authorities | 3,00,010 | 3,00,010 |
| Prepaid expenses | 2,46,953 | - |
| | **5,46,963** | **3,00,010** |

7 **Trade receivables**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured** | | |
| Considered good | 36,78,78,683 | 43,03,54,391 |
| Considered doubtful | 1,00,970 | 19,83,491 |
| | **36,79,79,653** | **43,23,37,882** |
| *Loss allowance [refer note 27]* | | |
| Unsecured considered good | (10,40,259) | (40,56,808) |
| Doubtful | (1,00,970) | (19,83,491) |
| | **(11,41,229)** | **(60,40,299)** |
| **Net trade receivables** | **36,68,38,424** | **42,62,97,583** |

All trade receivables are current.

Of the above , trade receivables from related party are as below:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade receivables from related parties | 35,65,01,774 | 39,68,33,857 |
| Less: Loss allowance | (10,23,259) | (20,20,507) |
| **Net trade receivables** | 35,54,78,515 | 39,48,13,350 |

For terms and conditions of trade receivables owing from related parties refer note 31.

The CompanY'S exposure to credit risk and loss allowances related to trade receivables are disclosed in Note 26.

8 **Cash and cash equivalents**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Balances with banks | | |
| In current accounts | 3,88,94,523 | 1,11,84,416 |
| **Cash and cash equivalents in balance sheet** | **3,88,94,523** | **1,11,84,416** |
| Bank overdraft used for cash management purpose | - | - |
| **Cash and cash equivalent in the statement of cash flow** | **3,88,94,523** | **1,11,84,416** |

9 **Current loans**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured Considered good** | | |
| Security deposits | 18,26,460 | 43,55,000 |
| | 18,26,460 | 43,55,000 |
| *Other loans and advances* | | |
| Loans to employees | 3,73,778 | 9,36,330 |
| | **22,00,238** | **52,91,330** |

10 **Unbilled revenue**

(*Amount in Rs*)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue* | 68,68,500 | 2,49,40,001 |
| | **68,68,500** | **2,49,40,001** |

*includes unbilled revenue billable to related parties (refer note 31)

11 **Other current assets**

(*Amount in Rs*)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Advances other than capital advances*** | | |
| Prepaid expenses | 88,91,316 | 1,00,95,859 |
| Advances to suppliers | 61,479 | 50,000 |
| Travel advances to employees | 2,40,000 | - |
| Balances with government authorities | 2,93,388 | 2,93,388 |
| Other advances | 1,00,000 | 30,000 |
| | **95,86,183** | **1,04,69,247** |

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**12 Equity share capital**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 10,10,000 (31 March 2018: 10,10,000) equity shares of par value of Rs 10 each | 1,10,00,000 | 1,10,00,000 |
| | **1,10,00,000.00** | **1,10,00,000** |
| **Issued, subscribed and paid-up** | | |
| 10,10,000 (31 March 2018: 10,10,000 ) equity shares of par value of Rs 10 each, fully paid up | 1,01,00,000 | 1,01,00,000 |
| | **1,01,00,000** | **1,01,00,000** |

**12.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR Lakhs | Number of shares | Amount in INR Lakhs |
| **Equity shares** | | | | |
| At the commencement of the year | 10,10,000 | 1,01,00,000 | 10,10,000 | 1,01,00,000 |
| Add: Shares issued during the year | - | - | - | |
| At the end of the year | **10,10,000** | **1,01,00,000** | **10,10,000** | **1,01,00,000** |

**12.2 Rights, preferences and restrictions attached to equity shares**

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. On winding up of the Company, the holders of the equity shares will be entitled to receive the residual assets of the Company, after distribution of all preferential amounts (if any) in proportion to the number of equity shares held.

**12.3 Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % held | Number of shares | % held |
| **Equity shares** | | | | |
| **Equity shares of par value Rs 10 each** | | | | |
| Quess Corp Limited | 10,09,999 | 100.00% | 10,09,999 | 100.00% |
| | **10,09,999** | 100.00% | **10,09,999** | 100.00% |

**13 Other equity***

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Other comprehensive income | 1,73,35,308 | 43,57,246 |
| Other Equity- Corporate Guarantee | 15,00,000 | 10,00,000 |
| Retained earnings | 17,00,37,980 | 14,82,64,469 |
| | **18,88,73,288** | **15,36,21,715** |

* For detailed movement of reserves refer Statement of Changes in Equity.

**14 Non-current provisions**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 33) | 1,88,98,743 | 2,63,97,469 |
| | **1,88,98,743** | **2,63,97,469** |

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15 **Trade payables**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Other trade payables | 97,01,724 | 4,22,35,005 |
| | **97,01,724** | **4,22,35,005** |

The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 27.

16 **Other current financial liabilities**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Accrued salaries and benefits | 14,21,00,111 | 9,93,78,248 |
| Provision for bonus and incentive | 8,18,84,084 | 7,35,01,358 |
| | 22,39,84,195 | 17,28,79,606 |

The Company's exposure to currency and liquidity risk related to other current financial liabilities is disclosed in note 26.

17 **Current provisions**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity | 4,00,955 | 51,04,306 |
| Provision for compensated absences | - | 6,61,521 |
| | **4,00,955** | **57,65,827** |

18 **Other current liabilities**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 5,08,99,840 | 5,27,41,477 |
| Provision for expenses | 1,09,78,753 | 8,35,48,027 |
| Amount payable to related parties | - | 88,07,893 |
| | **6,18,78,593** | **14,50,97,397** |

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## 19 Revenue from operations

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sale of services | | |
| Facility management and food services | 1,57,35,17,869 | 1,71,18,90,774 |
| | **1,57,35,17,868.99** | **1,71,18,90,774** |

## 20 Other income

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest income under the effective interest method on: | | |
| Interest income from financial assets at amortised cost | 1,88,876 | 9,751 |
| Miscellaneous income | 8,11,069 | - |
| | **9,99,945** | **9,751** |

## 21 Employee benefits expense

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and wages | 1,26,68,36,663 | 1,37,75,99,649 |
| Contribution to provident and other funds | 15,57,01,927 | 16,47,09,804 |
| Expenses related to post-employment defined benefit plan | 4,24,48,016 | 4,94,73,782 |
| Expenses related to compensated absences | - | 85,33,549 |
| Staff welfare expenses | 87,93,348 | 1,74,03,263 |
| | **1,47,37,79,954** | **1,61,77,20,047** |

## 22 Finance costs

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest expense on financial liabilities at amortized cost | 4,552 | - |
| Other borrowing costs | 5,00,001 | 6,20,613 |
| | **5,04,553** | **6,20,613** |

## 23 Depreciation and amortisation expense

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 6,63,062 | 8,80,046 |
| Amortisation of intangible assets (refer note 3) | - | - |
| | **6,63,062** | **8,80,046** |

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## 24 Other expenses

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Recruitment and training expenses | 2,96,856 | - |
| Rent (refer note 32) | 60,10,324 | 63,32,938 |
| Power and Fuel | 13,90,974 | 14,33,297 |
| Repairs & maintenance | | |
| - buildings | 15,34,012 | 8,40,680 |
| - plant and machinery | 7,35,270 | 12,68,320 |
| - others | 63,760 | 50,394 |
| Legal and professional fees (refer note 24.1) | 5,84,32,058 | 3,26,84,746 |
| Rates and taxes | 3,36,773 | 6,02,833 |
| Printing and stationery | 7,36,391 | 5,65,117 |
| Travelling and conveyance | 8,31,434 | 3,97,613 |
| Communication expenses | 8,28,594 | 11,92,518 |
| Loss allowance on financial assets, net [refer note 26] | (48,99,070) | (11,98,666) |
| Bank charges | 3,535 | 9,092 |
| Bad debts written off | 16,72,950 | 12,33,275 |
| Business promotion and advertisement expenses | - | 11,302 |
| Miscellaneous expenses | 16,437 | 57,449 |
| | **6,79,90,298** | **4,54,80,908** |

### 24.1 Payment to auditor

| | | |
|---|---|---|
| Audit Fee | | |
| Statutory Audit | 2,60,000 | 2,00,000 |
| Limited review | - | 80,000 |
| Tax audit fees | 1,00,000 | 1,00,000 |
| | **3,60,000** | **3,80,000** |

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## 3 Property, plant and equipment

*(Amount in Rs)*

| Particulars | Furniture and fixtures | Office equipment | Computer equipment | Total Property, plant and equipment |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| **Balance as at 1 April 2017** | **4,01,692** | **9,56,613** | **13,00,968** | **26,59,273** |
| Additions through business combination | 7,000 | 47,785 | 6,83,792 | 7,38,577 |
| Additions during the year | | | | - |
| Disposals for the year | | | | - |
| Capitalised during the year | | | | - |
| Translation differences# | | | | - |
| **Balance as at 31 March 2018** | **4,08,692** | **10,04,398** | **19,84,760** | **33,97,850** |
| Additions through business combination | - | - | - | - |
| Additions during the year | - | - | - | - |
| Disposals for the year | - | - | - | - |
| Translation differences# | | | | - |
| **Balance as at 31 March 2019** | **4,08,692** | **10,04,398** | **19,84,760** | **33,97,850** |
| **Accumulated depreciation** | | | | |
| **Balance as at 1 April 2017** | **1,58,531** | **2,99,492** | **7,34,611** | **11,92,634** |
| Additions through business combination | | | | - |
| Depreciation for the year | 95,837 | 2,94,963 | 4,89,246 | **8,80,046** |
| Accumulated depreciation on deletions | | | | - |
| Translation differences# | | | | - |
| **Balance as at 31 March 2018** | **2,54,368** | **5,94,455** | **12,23,857** | **20,72,680** |
| Additions through business combination | | | | |
| Depreciation for the year | 71,314 | 1,85,039 | 4,06,709 | **6,63,062** |
| Accumulated depreciation on deletions | | | | |
| Translation differences# | | | | |
| **Balance as at 31 March 2019** | **3,25,682** | **7,79,494** | **16,30,566** | **27,35,742** |
| **Net carrying amount** | | | | |
| **As at 31 March 2019** | **83,010** | **2,24,904** | **3,54,194** | **6,62,108** |
| **As at 31 March 2018** | **1,54,324** | **4,09,943** | **7,60,903** | **13,25,170** |

There has been no impairment losses recognised during the year or previous year.

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Notes to the financial statements for the year ended 31 March 2019

25 **Financial instruments - fair value and risk management**
**Financial instruments by category**

| Particulars | Note | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|---|
| | | FVTPL | FVTOCI | Amortised Cost | FVTPL | FVTOCI | Amortised Cost |
| **Financial assets:** | | | | | | | |
| Loans | 4 & 9 | - | - | 44,55,230 | - | - | 55,41,380 |
| Trade receivables | 7 | - | - | 36,68,38,424 | - | - | ########## |
| Cash and cash equivalents including other bank balances | 8 | - | - | 3,88,94,523 | - | - | 1,11,84,416 |
| Unbilled revenue | 10 | - | - | 68,68,500 | - | - | 2,49,40,001 |
| **Total financial assets** | | - | - | **41,70,56,677** | - | - | ########## |
| **Financial liabilities:** | | | | | | | |
| Trade payables | 15 | - | - | 97,01,724 | - | - | 4,22,35,005 |
| Other current financial liabilities | 16 | - | - | 22,39,84,195 | - | - | ########## |
| **Total financial liabilities** | | - | - | **23,36,85,919** | - | - | ########## |

**Accounting classification and fair value**
The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**
The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:
a) recognised and measured at fair value
b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**Fair value of financial instruments as at 31 March 2019**

*(Amount in Reporting Currency)*

| Particulars | Note | Carrying amount | Fair value | | |
|---|---|---|---|---|---|
| | | 31 March 2019 | Level 1 | Level 2 | Level 3 |
| **Financial assets not measured at fair value (measured at amortised cost)** | | | | | |
| Loans | 4 & 9 | 44,55,230 | - | - | - |
| Trade receivables | 7 | 36,68,38,424 | - | - | - |
| Cash and cash equivalents including other bank balances | 8 | 3,88,94,523 | - | - | - |
| Unbilled revenue | 10 | 68,68,500 | - | - | - |
| **Total financial assets** | | **41,70,56,677** | - | - | - |
| **Financial liabilities not measured at fair value (measured at amortised cost)** | | | | | |
| Trade payables | 15 | 97,01,724 | - | - | - |
| Other Current financial liabilities* | 16 | 22,39,84,195 | - | - | - |
| **Total financial liabilities** | | **23,36,85,919** | - | - | - |

**Fair value of financial instruments as at 31 March 2018**

*(Amount in Reporting Currency)*

| Particulars | Note | Carrying amount | Fair value | | |
|---|---|---|---|---|---|
| | | 31 March 2018 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | | |
| Loans | 4 & 9 | 55,41,380 | - | - | - |
| Trade receivables | 7 | 42,62,97,583 | - | - | - |
| Cash and cash equivalents including other bank balances | 8 | 1,11,84,416 | - | - | - |
| Unbilled revenue | 10 | 2,49,40,001 | - | - | - |
| **Total financial assets** | | **46,79,63,380** | - | - | - |
| **Financial liabilities measured at Amortised cost** | | | | | |
| Trade Payables | 15 | 4,22,35,005 | - | - | - |
| Other current financial Liabilities | 16 | 17,28,79,606 | - | - | - |
| **Total financial liabilities** | | **21,51,14,611** | - | - | - |

*Current maturities of long-term borrowings forms part of other financial liabilities

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Notes to the financial statements for the year ended 31 March 2019

**Fair value hierarchy**

**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.This is the case for investment in unquoted preference securities and non-convertible debentures included in level-3

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

**A Financial Assets:**

The Company has not disclosed the fair values of loans, trade receivables, cash and cash equivalents including other bank balances and unbilled revenue because their carrying values are a reasonable approximation of their fair value.

**B Financial Liabilities:**

Fair values of trade payables and other financial liabilities are measured at carrying value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the carrying values.

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**Notes to the financial statements for the year ended 31 March 2019**

**26 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

**i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Credit risk on cash and cash equivalents and other bank balances and bank deposits is limited as the Company generally invests in deposits with banks with high credit ratings assigned by domestic credit rating agencies. Investments comprises of investment in mutual funds invested with mutual fund institutions having high credit ratings assigned by domestic credit rating agencies. The loan represents security deposits given to suppliers, employees and others. The credit risk associated with such deposits is relatively low.

The carrying amount of following financial assets represents the maximum credit exposure:

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by its customers. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

**Expected credit loss assessment for corporate customers as at 31 March 2018 and 31 March 2019 are as follows:**

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers. Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 360 days past due. Loss rates are based on actual credit loss experience over the last six quarters. These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers:**

**As at 31 March 2019**

*(Amount in Reporting Currency)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether trade receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 22,37,86,659 | 0.01% | 31,126 | No | 22,37,55,534 |
| Past due 1–90 days | 14,40,92,024 | 0.70% | 10,09,133 | No | 14,30,82,891 |
| Past due 91–180 days | - | 40.50% | - | No | - |
| Past due 181–270 days | - | 79.99% | - | No | - |
| Above 270 days | 1,00,970 | 100.00% | 1,00,970 | Yes | - |
| | **36,79,79,653** | | **11,41,229** | | **36,68,38,424** |

**As at 31 March 2018**

*(Amount in Reporting Currency)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether trade receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 20,99,18,297 | 0.03% | 69,297 | No | 20,98,49,000 |
| Past due 1–90 days | 21,56,72,894 | 0.99% | 21,39,274 | No | 21,35,33,620 |
| Past due 91–180 days | 33,25,016 | 31.95% | 10,62,405 | No | 22,62,611 |
| Past due 181–270 days | 14,38,184 | 54.64% | 7,85,832 | No | 6,52,352 |
| Above 270 days | 19,83,491 | 100.00% | 19,83,491 | No | - |
| | **43,23,37,882** | | **60,40,299** | | **42,62,97,583** |

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**The movement in the allowance for impairment in respect of trade receivables during the year was as follows:**

*(Amount in Reporting Currency)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Balance as at the beginning of the year** | 60,40,299 | 72,38,965 |
| Additions through business combination | - | - |
| Impairment loss allowances recognised/ (reversed) | (48,99,070) | (11,98,666) |
| Less: Amounts written off | - | - |
| **Balance as at the end of the year** | 11,41,229 | 60,40,299 |

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

**i) Financing arrangement**

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019**

*(Amount in Reporting Currency)*

| Particulars | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Trade payables | 97,01,724 | 97,01,724 | - | - | - |
| Other financial liabilities | 22,39,84,195 | 22,39,84,195 | - | - | - |

**As at 31 March 2018**

*(Amount in Reporting Currency)*

| Particulars | | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Trade payables | 4,22,35,005 | 4,22,35,005 | - | - | - |
| Other financial liabilities | 17,28,79,606 | 17,28,79,606 | - | - | - |

As Company had a secured bank loan that contains a loan covenant, during the year and the same was closed during the financial year.

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long-term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the related entities.

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**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**27 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current borrowing, current maturities of long-term borrowings and current maturities of finance lease obligations less cash and cash equivalents.

The Company's policy is to keep the ratio below 2.50. The Company's adjusted net debt to equity ratio is as follows:

*(Amount in Reporting Currency)*

| Particulars | As at '31 March 2019 | As at '31 March 2018 |
|---|---|---|
| Gross debt | - | - |
| Less: Cash and cash equivalents | 3,88,94,523 | 1,11,84,416 |
| **Adjusted net debt** | **(3,88,94,523)** | **(1,11,84,416)** |
| Total equity | 19,89,73,288 | 16,37,21,715 |
| Less: Effective portion of cash flow hedges and cost of hedging | | |
| **Equity** | **19,89,73,288** | **16,37,21,715** |
| **Net debt to equity ratio** | **(0.20)** | **Nil** |

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**28 Contingent liabilities and commitment (to the extent not provided for)**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Indirect tax matters (see note (i) and (ii) below) | 46,27,941 | 46,27,941 |
| | **46,27,941** | **46,27,941** |

(i) Pending resolution of the respective proceedings, it is not practical for the Company to estimate the timings of cash outflows, if any, in respect of the above as it is determinable only on receipt of judgements/decisions pending with various forums/authorities.

(ii) The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect outcome of these proceedings to have a material adverse effect on its financial position.

**29 Earnings per share**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares (Rs per share) | 10 | 10 |
| Net profit after tax for the purpose of earnings per share (Amount in Rs) | 2,17,73,511 | 3,15,93,534 |
| Weighted average number of shares used in computing basic earnings per share | 10,10,000 | 10,10,000 |
| **Basic earnings per share (Rs)** | **21.56** | **31.28** |
| Weighted average number of shares used in computing diluted earnings per share | 10,10,000 | 10,10,000 |
| **Diluted earnings per share (Rs)** | **21.56** | **31.28** |

**30 Segment reporting**

The Chief Executive Officer and Managing Director of the company has been identified as the Chief Operating Decision Maker ("CODM") as defined by Ind AS 108, Operating Segments. The CODM evaluates the Company's performance and allocatesresources based on an analysis of various per formance indicators by service offerings. Accordingly, the Company is engaged in the business of providing facility management services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

**31 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Ultimate Holding Company | Fairfax Financial Holdings Limited |
| - Holding Company | Quess Corp Limited |
| - Fellow Subsidiaries | Coachieve Solutions Private Limited<br>MFX Infotech Private Limited<br>Brainhunter Systems Limited, Canada<br>Mindwire Systems Ltd, Canada (formerly known as ZYLOG SYSTEMS (OTTAWA) LTD.)<br>Brainhunter Companies Canada Inc, Canada<br>Brainhunter Companies LLC USA<br>Quess (Philippines) Corp. (formerly known as Magna Ikya Infotech Inc, Philippines)<br>Quess Corp (USA) Inc. (formerly known as Magna Infotech Inc.)<br>Quesscorp Holdings Pte. Ltd, Singapore<br>Quessglobal (Malaysia) SDN.BHD (formerly known as Brainhunter SDN. BHD., Malaysia)<br>Aravon Services Private Limited (formerly known as ARAMARK India Private Limited)<br>Ikya Business Services (Private) Limited<br>MFXchange Holdings Inc, Canada<br>MFXchange (Ireland) Limited<br>MFXchange US Inc.<br>MFX Roanoke Inc, USA (merged with MFXchange US, Inc. effective 31 December 2015)<br>Quess Corp Lanka Private Limited (Formerly known as Ranstad Lanka private Limited)<br>Dependo Logistics Solutions Private Limited<br>Inticore VJP Advanced Solutions Private Limited<br>Comtel Solutions Pte Ltd<br>CentreQ Business Services Private Limited<br>Excelus Learning Solutions Private Limited<br>ConnectQ Business Services Private Limited (Formerly known as Tata Business Support Services Private Limited)<br>Vedang Cellular Services Private Limited<br>Golden Star Facilities and Services Private Limited<br>Comtelpro Pte. Ltd<br>Comtelink Sdn. Bhd<br>Monster.com (India) Private Limited<br>Monster.com.sg Pte. Limited<br>Monster.com.HK Limited<br>Monster Malaysia Sdn. Bhd. |

| | |
|---|---|
| - Associates of the holding company | Terrier Security Services (India) Private Limited<br>Simpliance Technologies Private Limited<br>Heptagon Technologies Pvt Ltd<br>Quess Recruit Inc. |
| - Joint Venture of a fellow subsidiary | Himmer Industrial Services (M) Sdn Bhd |
| - Entity having common directors | Golden Star Facilities & Services Private Limited |
| - Fellow subsidiary | National Collateral Management Services Limited |
| -Entities in which key managerial personnel of holding company has significant influence | Styracorp Management services<br>IME Consultancy |

**Key management personnel**

| | |
|---|---|
| Srinivasan Guruprasad | Director |
| Chidambaram Anand Sundar Raj | Director |

**(ii) Related party transactions during the year**

*(Amount in Rs)*

| Particulars | | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| - Revenue from operations | Quess Corp Limited | 1,47,16,15,926 | 1,07,48,94,612 |
| - Employee benefits expense | Quess Corp Limited | - | 81,38,807 |
| - Other expenses | Quess Corp Limited | 5,60,00,000 | 3,00,00,000 |
| - Corporate guarantee given to bank by the holding company | Quess Corp Limited | 10,00,00,000 | 10,00,00,000 |

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs)*

| Particulars | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| - Trade receivables (Gross of loss allowance) | Quess Corp Limited | 35,65,01,744 | 39,68,33,857 |
| - Trade payables | Quess Corp Limited | | 77,23,492 |
| - Unbilled revenue | Quess Corp Limited | 68,68,500 | - |
| - Other current financial liabilities | Quess Corp Limited | - | 3,00,00,000 |
| - Other current liabilities | Quess Corp Limited | - | 88,07,893 |

**(iv) Compensation of key managerial personnel**

The compensation paid to key managerial personnel charged to the statement of profit & loss for the year ended 31 March 2019 is Rs. Nil (31 March 2018 is Rs. Nil).

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

**32 Leases**

**Operating Leases**

The Company has taken, offices and residential premises under operating leases. The leases typically run for a period of one to five years, with an option to renew the lease after that period. Lease payments are renegotiated at the time of renewal.

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Payable within 1 year | 3,63,256 | - |
| Payable between 1-5 years | 72,76,512 | - |

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | 60,10,324 | 63,32,938 |
| - Non-cancellable | - | - |
| - Cancellable | 60,10,324 | 63,32,938 |

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**33 Assets and liabilities relating to employee benefits**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity | 1,92,99,698 | 3,15,01,775 |
| Liability for compensated absences | - | 6,61,521 |
| **Total employee benefit liability** | **1,92,99,698** | **3,21,63,296** |
| Current | 4,00,955 | 57,65,827 |
| Non-current | 1,88,98,743 | 2,63,97,469 |

The Company does not have any assets relating to employee benefits. For details about the related employee benefit expenses, see note 22.

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act,1972. It entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market

**A Funding**

The Company's gratuity scheme for core employees is administered through a trust with the SBI Life Insurance Company Limited. The funding requirements are based on the gratuity funds actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purpose for which assumptions are same as set out below. Employees do not contribute to the plan.

The Company has determined that, in accordance with the terms and conditions of gratuity plan, and in accordance with statutory requirements (including minimum funding requirements) of the plan, the present value of refund or reduction in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations.

**B Reconciliation of the net defined benefit liability/asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/asset and its components:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Reconciliation of present value of the defined benefit obligation*** | | |
| Obligation at the beginning of the year | 15,41,25,450 | 11,99,54,634 |
| Current service cost | 3,74,18,396 | 3,67,91,198 |
| Interest cost | 1,20,03,380 | 87,62,467 |
| Benefit settled | (59,16,813) | (43,57,293) |
| Liabilities Settled on Divestiture | (25,84,091) | (88,07,893) |
| Actuarial (gains)/ losses recognized in other comprehensive income | (1,77,93,294) | 17,82,337 |
| **Obligation at end of the year** | **17,72,53,028** | **15,41,25,450** |
| ***Reconciliation of present value of plan assets*** | | |
| Plan assets at beginning of the year, at fair value | 12,26,23,675 | 6,55,75,480 |
| Interest income on plan assets | 95,57,851 | 47,90,169 |
| Return on plan assets recognised in other comprehensive income | 1,86,842 | 18,79,944 |
| Contributions by employer | 3,15,01,775 | 5,47,35,375 |
| Benefits paid/Reversed | (59,16,813) | (43,57,293) |
| **Plan assets at the end of the year, at fair value** | **15,79,53,330** | **12,26,23,675** |
| **Net defined benefit liability** | **1,92,99,698** | **3,15,01,775** |

**C i) Expense recognised in statement of profit or loss**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current service cost | 3,74,18,396 | 3,67,91,198 |
| Interest cost | 1,20,03,380 | 87,62,467 |
| Interest income | (95,57,851) | (47,90,169) |
| **Net gratuity cost** | **3,98,63,925** | **4,07,63,496** |

**(ii) Remeasurement recognized in other comprehensive income**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | -1,77,93,294 | 17,82,337 |
| Remeasurement of the net defined benefit asset | (1,86,842) | (18,79,944) |
| **Other comprehensive (income)/expense for the year, net of income tax** | **(1,79,80,136)** | **(97,607)** |

**D Plan assets**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Funds managed by insurer | 15,79,53,330 | 12,26,23,675 |
| | **15,79,53,330** | **12,26,23,675** |

**E Defined benefit obligation - Actuarial Assumptions**

| Particulars | For the year ended 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 6.85% - 7.40% | 7.20% - 7.80% |
| Future salary growth | 7.50% - 8.00% | 7.50% - 8.00% |
| Attrition rate | 12.00% - 26.50% | 3.10% - 30.00% |
| Rate of return on planned assets | | 7.92% |

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**F Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

**Core employees** *(Amount in Rs)*

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| **Particulars** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (1% movement) | 32,09,658 | 36,91,895 | 15,92,195 | 17,01,162 |
| Future salary growth (1% movement) | 36,89,135 | 32,07,858 | 17,00,468 | 15,91,858 |
| Attrition rate (1% movement) | 33,91,306 | 34,92,861 | 15,64,321 | 17,48,250 |

**Associate employees** *(Amount in Rs)*

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| **Particulars** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (1% movement) | 16,75,92,333 | 18,04,97,535 | 13,22,66,845 | 17,73,45,137 |
| Future salary growth (1% movement) | 18,03,61,049 | 16,76,00,761 | 17,70,41,641 | 13,21,30,534 |
| Attrition rate (1% movement) | 16,59,96,475 | 18,70,96,460 | 15,08,05,693 | 15,43,70,753 |

**34 Revenue from Contracts with customers**

**(i) Disaggregation of revenue**

The Company is providing facility managment services accross India to various customers.

**(ii) Trade Receivables and Contract Balances**

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.
Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs.)*

| **Particulars** | **As at 31 March 2019** | **As at 1 April 2018** |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 36,68,38,424 | 42,62,97,583 |
| Contract assets | 68,68,500 | 2,49,40,001 |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date.The contract assets are transferred to receivables when the rights become unconditional.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs.)*

| **Particulars** | **For the year ended 31 March 2019** |
|---|---|
| Balance at the beginning of the reporting period | 2,49,40,001 |
| Add : Revenue recognized during the reporting period | 1,57,35,17,869 |
| Less : Invoiced during the reporting period | 1,59,15,89,370 |
| **Balance at the end of the reporting period** | **68,68,500** |

**(iii) Performance obligations and remaining performance obligations**

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expexcts to recognize these amounts in revenue.Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

**(iv) Changes in accounting policies**

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.
The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.
The quantitative impact of the adoption of Ind AS 115 on the financial statements in the period of initial application is not material.

**35 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company.Also, the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

**36 Key Audit Matters**

The Board of Directors of the Company had at its Meeting held on 20th October, 2018, approved the **Scheme of amalgamation ("Scheme")** among **Master Staffing Solutions Private Limited ("MSSP")** together known as **("Transferor Companies")** with **Quess Corp Limited ("Transferee Company").** Upon the scheme becoming effective the Transferor Companies stands dissolved, all the assets and liabilities of the transferor companies will be recorded at their book values in the Transferee Company. On 27th March 2019 the Scheme has been filed with BSE and NSE. The Scheme of amalgamation shall be subject to receipt of necessary approvals of shareholders and creditors, SEBI, Stock Exchanges, Regional Director and other regulatory authorities as may be required

As per our report of even date attached
*for* **Sriramulu Naidu & Co.**
Chartered Accountants
Firm registration number: 008975S

*for* and on behalf of Board of Directors of
**Master Staffing Solutions Private Limited**

**S Deenadayal**
Partner
Membership No.: 205194

Place: Bengaluru
Date: 30 April 2019

**Srinivasan Guruprasad**
Director
DIN: 07596207

Place: Bengaluru
Date: 30 April 2019

**Chidambaram Anand Sundar Raj**
Director
DIN: 07971482

Place: Bengaluru
Date: 30 April 2019

# INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**MFX Infotech Private Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **MFX Infotech Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS



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BTM 2nd Stage, Bangalore - 560076, INDIA.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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

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we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.

2) As required by Section 143 (3) of the Act, we report that;
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

   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, 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

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iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

**Unnikrishnan Menon**
Partner
Membership number: 205703

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

Place: Bengaluru
Date: 26/4/2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of MFX Infotech Private Limited of even date)

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

b. The company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified at reasonable intervals. In our opinion, the periodicity is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification;

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. The Company's operations does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities.

As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable.

b. According to the information and explanations given to us, there are no material dues of provident fund, employee state insurance, income-tax, goods and service tax, cess which have not been deposited with the appropriate authorities on account of any dispute

viii. the company does not have any loans or borrowings from any financial institution, banks, government or debenture holder during the year. Consequently, comment on clause (viii) of the Order is not applicable

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

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x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act, is not applicable. Consequently, comment on clause (xi) of the order is not applicable

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable;

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703
Place: Bengaluru
Date 26/4/2019.

**ANNEXURE B - to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of MFX Infotech Private Limited of even date)

**Report on the Internal Financial Controls 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 **MFX Infotech Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone 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

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and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date 26/4/2019.

**MFX Infotech Private Limited**

| Balance Sheet as at | Note | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 6,492,490 | 8,153,605 |
| Intangible assets | 4 | - | 15,082 |
| **Financial assets** | | | |
| Non Current Loans | 5 | 11,131,564 | - |
| Deferred tax assets (net) | 6 | 6,264,358 | 5,439,107 |
| Income tax assets (net) | 6 | 21,814,462 | 9,989,909 |
| Other non-current assets | 7 | 2,125,063 | - |
| | | **47,827,937** | **23,597,703** |
| **Current Assets** | | | |
| Inventories | | - | - |
| **Financial assets** | | | |
| Trade receivables | 8 | 296,878,265 | 258,329,642 |
| Cash and cash equivalents | 9 | 44,627,109 | 23,375,875 |
| Current loans | 10 | - | 13,568,389 |
| Other current financial assets | 11 | 37,247,317 | 42,213,119 |
| Other current assets | 12 | 34,638,186 | 8,145,950 |
| | | **413,390,876** | **345,632,975** |
| **Total Assets** | | **461,218,813** | **369,230,678** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 13 | 10,000,000 | 10,000,000 |
| Other equity | 14 | 78,249,049 | 70,916,727 |
| | | **88,249,049** | **80,916,727** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current provisions | 15 | 16,768,334 | 16,804,110 |
| | | **16,768,334** | **16,804,110** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| Trade payables | 16 | 120,424,951 | 7,248,736 |
| Current borrowings | 17 | 169,808,407 | 165,567,688 |
| Other current financial liabilities | 18 | 55,316,359 | 85,795,995 |
| Current provisions | 19 | 2,287,708 | 2,536,909 |
| Other current liabilities | 20 | 8,364,005 | 10,360,513 |
| | | **356,201,430** | **271,509,841** |
| **Total Equity and Liabilities** | | **461,218,813** | **369,230,678** |

The notes referred to above form an integral part of the financial statements
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 26 April 2019

for and on behalf of Board of Directors of
**MFX Infotech Private Limited**

**Ranjit Nair**
**Director**
Place: Bengaluru
Date: 26 April 2019

**Subrata Nag**
**Director**
Place: Bengaluru
Date: 26 April 2019

MFX Infotech Private Limited

| Statement of profit and loss | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 21 | 501,094,667 | 512,583,077 |
| Other income | 22 | 12,708,839 | 1,276,098 |
| **Total Income** | | **513,803,506** | **513,859,175** |
| **Expenses** | | | |
| Cost of materials consumed | 23 | 1,778,155 | 1,581,850 |
| Employee benefit expenses | 24 | 343,678,723 | 352,345,542 |
| Finance costs | 25 | 11,757,352 | 8,894,083 |
| Depreciation and amortisation expense | 26 | 5,123,489 | 4,887,774 |
| Other expenses | 27 | 146,276,002 | 104,834,993 |
| **Total expenses** | | **508,613,721** | **472,544,242** |
| **Profit before income tax** | | **5,189,785** | **41,314,933** |
| **Tax expense** | | | |
| Current tax | 6 | (3,130,385) | (13,908,673) |
| Excess/(Short) provision of tax relating to earlier years | 6 | 410,419 | (398,737) |
| Deferred tax | 6 | 1,948,415 | 1,169,835 |
| **Total tax expense** | | **(771,551)** | **(13,137,575)** |
| **Profit for the year** | | **4,418,234** | **28,177,359** |
| **Other comprehensive income/(expense)** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Re-measurement of the net defined benefit liability/asset | | 4,037,252 | 844,564 |
| Income tax relating to items that will not be reclassed to profit or loss | | (1,123,164) | (232,677) |
| **Other comprehensive income/(expense) for the for the year, net of income tax** | | **2,914,088** | **611,887** |
| **Total comprehensive income for the year** | | **7,332,322** | **28,789,245** |
| **Earnings per equity share (face value of 10 each)** | | | |
| Basic | | 4.42 | 28.18 |
| Diluted | | 4.42 | 28.18 |

The notes referred to above form an integral part of the financial statements
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 26 April 2019

for and on behalf of Board of Directors of
**MFX Infotech Private Limited**

MFX Infotech Pvt. Ltd. * Bangalore *

**Ranjit Nair**
**Director**

Place: Bengaluru
Date: 26 April 2019

**Subrata Nag**
**Director**

Place: Bengaluru
Date: 26 April 2019

**MFX Infotech Private Limited**
**Statement of Changes in Equity for the year ended 31 March 2019**

(Amount in Rs.)

| Particulars | Share Capital | Other Equity | | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|---|
| | | Retained Earnings | Other Items of Other comprehensive Income | Other Reserves | |
| **Balance as of 1 April 2017** | 10,000,000 | 41,851,991 | (774,509) | 750,000 | **51,827,482** |
| Add: Profit for the Period | - | 28,177,359 | - | - | **28,177,359** |
| Add: Fair value of financial guarantee received | - | - | - | 300,000 | **300,000** |
| Less: Re-measurement gains / (losses) on defined benefit plan | - | - | 611,887 | - | **611,887** |
| **Balance as of 31 March 2018** | **10,000,000** | **70,029,349** | **(162,622)** | **1,050,000** | **80,916,727** |

| | | | | | |
|---|---|---|---|---|---|
| **Balance as of April 1, 2018** | 10,000,000 | 70,029,349 | (162,622) | 1,050,000 | **80,916,727** |
| Add: Profit for the Period | - | 4,418,234 | - | | **4,418,234** |
| Add: Fair value of financial guarantee received | - | - | - | - | **-** |
| Less: Re-measurement gains / (losses) on defined benefit plan | - | - | 2,914,088 | - | **2,914,088** |
| **Balance as of 31 March 2019** | **10,000,000** | **74,447,583** | **2,751,466** | **1,050,000** | **88,249,049** |

The notes referred to above form an integral part of the financial statements
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

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**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 26 April 2019

for and on behalf of Board of Directors of
**MFX Infotech Private Limited**

MFX Infotech Pvt. Ltd. * Bangalore *

**Ranjit Nair**
**Director**

Place: Bengaluru
Date: 26 April 2019

**Subrata Nag**
**Director**

Place: Bengaluru
Date: 26 April 2019

MFX Infotech Private Limited

| Statement of Cash Flows | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 5,189,785 | 41,314,933 |
| | | |
| **Adjustments for:** | | |
| Depreciation and amortisation expenses | 5,123,489 | 4,887,774 |
| Unrealised Foreign Exchange Loss/(Gain) | 7,375,376 | (558,576) |
| Finance costs | 11,757,352 | 8,894,083 |
| Impairment loss allowance on financial asset, net | 617,116 | 163,204 |
| Movement in Other Equity | - | 300,000 |
| **Operating cash flows before working capital changes** | **30,063,118** | **55,001,418** |
| | | |
| **Working capital adjustments** | | |
| Changes in inventories and trade receivables | (48,062,586) | (94,406,855) |
| Changes in loans, other financial assets and other assets | (22,963,992) | 9,878,584 |
| Changes in trade payables and other financial liabilities | 82,696,579 | 27,081,348 |
| Changes in other liabilities and provisions | 632,603 | 11,680,986 |
| **Cash generated from operating activities** | **42,365,722** | **9,235,481** |
| Income tax paid, net | (11,672,035) | (23,889,331) |
| **Net cash (used in) / provided by operating activities (A)** | **30,693,687** | **(14,653,850)** |
| | | |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment and intangibles | (3,447,292) | (4,023,069) |
| **Net cash used in by investing activities (B)** | **(3,447,292)** | **(4,023,069)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 5,762,191 | 17,428,254 |
| Finance cost paid | (11,757,352) | (8,894,083) |
| **Net cash used in by financing activities (C)** | **(5,995,162)** | **8,534,171** |
| | | |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 21,251,233 | (10,142,748) |
| Cash and cash equivalents at the beginning of the year | 23,375,875 | 33,518,623 |
| **Cash and cash equivalents at the end of the year (refer note 9)** | **44,627,109** | **23,375,875** |

The notes referred to above form an integral part of the financial statements
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

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**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 26 April 2019

for and on behalf of Board of Directors of
**MFX Infotech Private Limited**

Subrata Nag

MFX Infotech Pvt. Ltd. * Bangalore *

**Ranjit Nair**
**Director**

Place: Bengaluru
Date: 26 April 2019

**Subrata Nag**
**Director**

Place: Bengaluru
Date: 26 April 2019

## 1. Company overview

MFX Infotech Private Limited, ('the Company') is a private limited company incorporated on 20th June 2014 and domiciled in India. The registered office of the Company is located in Bengaluru, India. The Company is engaged in the business of Software Support Services and Sale of licenses.

**Significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these Ind AS financial statements. Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use

## 2. Basis of preparation

### 2.1 Statement of compliance

The company being a subsidiary company of M/s.Quess Corp Ltd., a company whose equity is listed in both Bombay Stock Exchange (BSE) & National Stock Exchange, (NSE). These financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), the provisions of the Companies Act, 2013 ("Act"). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company's standalone Ind AS financial statements are approved for issue by the Company's Board of Directors on 26th April 2019.

The standalone Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

### 2.2 Basis of measurement and significant accounting policies

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO") and

iii. Contingent consideration in business combinations are measured at fair value.

### 2.3 Use of estimates and judgement

The preparation of the standalone financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting

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policies that have the most significant effect on the amounts recognised in the standalone financial statements is included in the following notes:

**2.3 Use of estimates and judgement (continued)**

i. ***Contingent liabilities:*** Contingent liabilities are not recognized in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except, in the extremely rare circumstances where no reliable estimate can be made).

ii. ***Recognition of deferred tax assets***: Availability of future taxable profit against which tax losses carried forward can be used.

iii. ***Income taxes:*** Significant judgements are involved in determining provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

iv. ***Measurement of defined benefit obligations:*** The cost of the defined benefit obligations is based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

v. ***Impairment of financial assets:*** The Company assesses on a forward-looking basis the expected credit loss associated with financial assets carried at amortized cost.

vi. ***Property, plant and equipment and Intangible assets:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

vii. ***Other estimates:*** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

**2.4 Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value

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hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 2.5 Functional and presentation currency

Items included in the standalone Ind AS financial statements of the Company are measured using the currency of the primary economic environment in which the company operates (i.e. the "functional currency"). The financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

### 2.6 Property, plant and equipment

#### i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the standalone statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the standalone statement of profit and loss when incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'

#### ii)Depreciation methods, estimated useful lives and residual value

Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognized in the standalone statement of profit and loss. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of). The Company has estimated the useful lives for property, plant and equipment as follows:

| Asset category | Estimated useful life for 31 March 2019 |
|---|---|
| Computer Equipment | 3 years |
| Plant and machinery | 3 years |

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| | |
|---|---|
| Furniture and Fixtures | 5 years |
| Office equipment | 5 years |
| Software | 3 years |

Leasehold improvements are depreciated over the lease term or estimated useful life whichever is lower.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

**2.8 Intangible assets**

**(Intangible assets**

*Internally generated: Research and development*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software includes employee costs and an appropriate portion of relevant overheads.
Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

*Others*

Other intangible assets such as computer software, copyright and trademarks are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognised in the standalone statement of profit and loss as and when incurred.

**(iv) Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method and is included in depreciation and amortisation expenses in the standalone statement of profit and loss.

The estimated useful lives of intangible assets are as follows:

| **Asset category** | **Estimated useful life for 31** |
|---|---|

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| | March 2019 |
|---|---|
| Software (owned) | 3 years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

### 2.9 Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the standalone statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

### 2.10 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### 2.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Inventories are stated net of write down or allowances on account of obsolete, damaged or slow moving items. The Company assess the obsolescence of inventory on a periodic basis.

### 2.12 Revenue recognition

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The Company adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the consideration we expect to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognized as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognized as the services are performed as per the terms of the arrangement with the customer.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

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The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

Refer Note 30 for disclosure related to revenue from contracts with customers.

a) **Software Service Fee:** - Revenue recognized based on Time and Efforts on a monthly or milestone completion basis, wherever applicable.

b) **License Sales**: - Revenues from selling licenses are recognized at the date of sale or date of completion of milestone, wherever applicable. Such revenue is recognized when the risks and rewards associated with the item have been transferred from the seller to the buyer and no significant uncertainty exists as regards the amount of consideration and its collection. The amount recognized as revenue net of returns, trade discounts and quantity discounts.

**2.13Other income**

Other income mostly comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

**2.14Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in standalone statement of profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the standalone statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

**2.15Financial instruments**

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**a) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b)Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii) A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(iii) On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.

(iv) All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**b) Financial assets: Subsequent measurement and gains and losses**

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the standalone statement of profit and loss. |

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| | |
|---|---|
| Financial assets at Amortized Cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the standalone statement of profit and loss. Any gain or loss on derecognition is recognised in the standalone statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the standalone statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the standalone statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the standalone statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to standalone statement of profit and loss. |

**c) Impairment of financial assets**

The company assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 40 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

**d) Derecognition of financial assets**

A financial asset is derecognised only when:
- The Company has transferred the rights to receive cash flows from the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

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**Financial liabilities**

**a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss (FVTPL) or amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

**Gains or losses on liabilities held for trading are recognized in the profit or loss.**

Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

**Amortized cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit and loss.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the standalone statement of profit and loss.

**2.15Financial instruments (continued)**

**Financial guarantee contracts**

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Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.
Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.16Employee benefits**

**(a) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the reporting date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognized in other comprehensive income. Further, the Statement of profit and loss does not include an expected return on plan assets. Instead net interest recognized in the Statement of profit and loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurement comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to the Statement of profit and loss in subsequent periods.

**(b) Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**2.16Employee benefits (continued)**

**(c) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this

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entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit Method as at the reporting date.

**(d) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the standalone statement of profit and loss during the period in which the employee renders the related service.

**(e) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

## 2.17Share based payments

Equity instruments granted to the employees of the Company are measured by reference to the fair value of the instrument at the date of grant. The expense is recognised in the standalone statement of profit and loss with a corresponding increase to the share-based payment reserve, a component of equity. The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortisation). The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

**Amendment to Ind AS 102:**

Effective 1 April 2017, Ind AS 102 has been amended which provides specific guidance to measurement of cash-settled awards, modification of cash settled awards and awards that include a net settlement feature in respect of withholding taxes. The amendment did not have any effect on the standalone financial statements. The impact of the above stated amendment to the Company is Nil as the same is not applicable to Company.

## 2.18Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the Statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognised for:

-temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

**2.19Provisions**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

***Onerous contract***

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

**2.20Contingent liability**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

**2.21Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.22Cash flow statement**

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Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**Amendment to Ind AS 7:**

Effective 1 April 2017, the Company adopted the amendment to Ind AS 7 which requires the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

**2.23Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

**2.24Segment reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The company is engaged in the business of Software Support Services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The company's management is of the opinion that the company does not have secondary segments and hence segment reporting is not applicable.

**2.25Contributed equity**

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**New Recent accounting pronouncements**

**(a) Standards issued but not yet effective**

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In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendment to Ind AS 115, 'Revenue from contracts with customers'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IFRS 15,' Revenue from contracts with customer' respectively. The amendment is applicable to the company from 1 January 2018.

**Ind AS 116 – Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options to be considered.

**Amendments to existing Ind AS:**

The following amended standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

1. **Amendment to *Ind AS 12 Income Taxes*: Appendix C – Uncertainty over Income Tax Treatments**

The Appendix addresses how to recognize, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

2. **Amendments to *Ind AS 109 Financial Instruments*: Prepayment Features with Negative Compensation**

Under Ind AS 109, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

3. **Amendments to *Ind AS 12 Income Taxes***

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.

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**4. Amendments to *Ind AS 23 Borrowing Costs***

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

**5. Amendments to *Ind AS 19 Employee Benefits***

This amendment requires:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognize in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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**3 Property, plant and equipment**

| Particulars | Leasehold improvements | Office equipment | Computer equipment | Total |
|---|---|---|---|---|
| **Gross block** | | | | |
| As at 1 April 2017 | 1,003,037 | 4,611,996 | 8,460,308 | 14,075,341 |
| Additions during the period | - | 616,205 | 3,406,865 | 4,023,070 |
| Disposals for the period | - | - | - | - |
| **As at 31 March 2018** | **1,003,037** | **5,228,201** | **11,867,173** | **18,098,411** |
| Additions | 515,585 | 60,663 | 2,871,043 | 3,447,291 |
| Disposals | | | | - |
| **As at 31 March 2019** | **1,518,622** | **5,288,864** | **14,738,216** | **21,545,702** |
| **Accumulated Depreciation** | | | | - |
| As at 1 April 2017 | 403,012 | 1,537,047 | 3,213,560 | 5,153,619 |
| Depreciation for the year | 334,041 | 1,007,656 | 3,449,490 | 4,791,187 |
| Accumulated depreciation on deletions | - | - | - | - |
| **As at 31 March 2018** | **737,053** | **2,544,703** | **6,663,050** | **9,944,806** |
| Depreciation for the year | 265,984 | 1,054,399 | 3,788,023 | 5,108,406 |
| Accumulated depreciation on deletions | | | | - |
| **As at 31 March 2019** | **1,003,037** | **3,599,102** | **10,451,073** | **15,053,212** |
| **Net Block :** | | | | - |
| **As at 31 March 2019** | **515,585** | **1,689,762** | **4,287,143** | **6,492,490** |
| **As at 31 March 2018** | **265,984** | **2,683,498** | **5,204,123** | **8,153,605** |

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## 4 Intangible Assets

| Particulars | Computer software | Total |
|---|---|---|
| **Gross block** | | |
| As at 1 April 2017 | 290,027 | 290,027 |
| Additions during the period | - | - |
| Disposals for the period | - | - |
| **As at 31 March 2018** | **290,027** | **290,027** |
| Additions | - | - |
| Disposals | - | - |
| **As at 31 March 2019** | **290,027** | **290,027** |
| **Accumulated Depreciation** | | |
| As at 1 April 2017 | 178,357 | 178,357 |
| Amortization for the year | 96,588 | 96,588 |
| Accumulated amortization on deletions | - | - |
| **As at 31 March 2018** | **274,945** | **274,945** |
| Amortization for the year | 15,082 | 15,082 |
| Accumulated amortization on deletions | - | - |
| **As at 31 March 2019** | **290,027** | **290,027** |
| **Net Block** | | |
| **As at 31 March 2019** | - | **0** |
| **As at 31 March 2018** | **15,082** | **15,082** |

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## 6 Income tax

Income Tax Assets/Liabilities in the Balance Sheet are as follows :-

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advance income tax/(Provision for Income Tax) net | 21,814,462 | 9,989,909 |
| | **21,814,462** | **9,989,909** |

### A Amount recognized in Profit or Loss

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| *Current income tax:* | | |
| In respect of the current period | 3,130,385 | 13,908,673 |
| Short provision of tax relating to earlier years | (410,419) | 398,737 |
| *Deferred tax* | | |
| Origination & reversal of temporary differences | | |
| Increase/Reduction of Tax rate | | |
| In respect of the current period | (1,948,415) | (1,169,835) |
| **Income tax expense reported in the statement of profit and loss** | **771,551** | **13,137,575** |

### B Income tax recognized in Other comprehensive Income

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit Liability/Asset | | |
| Before tax | 4,037,252 | 844,564 |
| Tax (expense)/Benefit | (1,123,164) | (232,677) |
| Net of Tax | 2,914,088 | 611,887 |

### C Reconciliation of effective tax rate

| Particulars | Tax Rate % | For the year ended 31 March 2019 | Tax Rate % | For the year ended 31 March 2018 |
|---|---|---|---|---|
| Profit before tax | | 5,189,785 | | 41,314,933 |
| Tax using company's domestic tax rate | 27.82% | 1,443,798 | 27.55% | 11,383,297 |
| **Effect of:** | | | | |
| Expenses disallowed for tax purpose(net) | | 1,686,587 | 3.28% | 1,355,541 |
| Deferred tax assets | | (1,948,415) | | |
| **Effective tax rate** | **22.77%** | **1,181,970** | **30.83%** | **12,738,838** |
| Add: Short/(excess) provision for prior year | -7.91% | (410,419) | 0.97% | 398,737 |
| **Total income tax expense** | **14.87%** | **771,551** | **31.80%** | **13,137,575** |

The tax rates under Indian Income Tax Act, for the year ended March 31, 2019 and March 31, 2018 is 27.82% and 27.55%.

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D **The following table provides the details of income tax assets and income tax liabilities as of 31 March 2019, 31 March 2018:-**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 38,442,903 | 42,571,075 |
| Income tax liabilities | 16,628,441 | 32,581,166 |
| **Net income tax assets/(liability) at the end** | **21,814,462** | **9,989,909** |

E **Deferred tax (net)**

Deferred tax relates to the following:-

| Particulars | Balance sheet | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| Excess of depreciation provided for in books of accounts | 551,243 | 28,691 |
| Provision for compensated absence | 1,661,872 | 2,047,374 |
| Provision for Gratuity | 3,588,068 | 3,281,077 |
| Others | 248,197 | 37,003 |
| Impairment loss allowance on Financial assets | 214,978 | 44,962 |
| **Net deferred tax assets/ (liabilities)** | **6,264,358** | **5,439,107** |

F **Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

**As at 31 March 2019**

| Particulars | Opening balance | Recognized in Profit or loss | Recognized in OCI | Closing Balance |
|---|---|---|---|---|
| Excess of depreciation provided for in books of accounts | 28,691 | 522,552 | | **551,243** |
| Provision for compensated absence | 2,047,374 | (385,502) | | **1,661,872** |
| Provision for Gratuity | 3,281,077 | 306,991 | | **3,588,068** |
| Others | 37,003 | 1,334,358 | (1,123,164) | **248,197** |
| Impairment loss allowance on Financial assets | 44,962 | 170,016 | | **214,978** |
| | **5,439,107** | **1,948,415** | **(1,123,164)** | **6,264,358** |

**As at 31 March 2018**

| Particulars | Opening balance | Recognized in Profit or loss | Recognized in OCI | Closing Balance |
|---|---|---|---|---|
| Excess of depreciation provided for in books of accounts | 190,440 | (161,749) | | **28,691** |
| Provision for compensated absence | 1,905,311 | 142,063 | | **2,047,374** |
| Provision for Gratuity | 2,222,345 | 1,058,732 | | **3,281,077** |
| Others | 183,855 | 85,825 | (232,677) | **37,003** |
| Impairment loss allowance on Financial assets | - | 44,962 | | **44,962** |
| | **4,501,951** | **1,169,833** | **(232,677)** | **5,439,107** |

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**5 Non Current Loans**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *(Unsecured and considered good)* | | |
| Security deposits | 11,131,564 | - |
| | **11,131,564** | **-** |

**7 Other non-current assets**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Prepaid expenses | 2,125,063 | - |
| | **2,125,063** | **-** |

**8 Trade receivables**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good * | 296,878,265 | 258,329,642 |
| Considered doubtful * | 780,319 | 163,204 |
| Less: Allowances for credit loss | (780,319) | (163,204) |
| | **296,878,265** | **258,329,642** |

** Includes receivables from related parties. Refer note 34.*

**9 Cash and cash equivalents**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Balances with banks | | |
| In current accounts | 44,627,109 | 23,375,875 |
| | **44,627,109** | **23,375,875** |

**10 Current Loans**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *(Unsecured and considered good)* | | |
| Security deposits | - | 13,568,389 |
| | **-** | **13,568,389** |

**11 Other current financial assets**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue* | 37,247,317 | 42,213,119 |
| | **37,247,317** | **42,213,119** |

** Includes unbilled revenue from related parties . Refer note 34.*

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## 12 Other current assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advances to suppliers | - | 480,263 |
| Employee advances | 2,431,691 | 2,117,534 |
| Prepaid expenses | 2,651,926 | 1,900,314 |
| Balances with government authorities | 29,219,500 | 3,312,770 |
| Other Advances | 335,069 | 335,069 |
| | **34,638,186** | **8,145,950** |

## 13 Share capital

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 20,00,000 (31 March 2018 : 20,00,000) Equity shares of par value of Rs 10 each fully paid up | 20,000,000 | 20,000,000 |
| | **20,000,000** | **20,000,000** |
| **Issued, subscribed and paid-up** | | |
| 10,00,000 (31 March 2018 : 10,00,000) equity shares of par value of Rs 10 each, fully paid up | 10,000,000 | 10,000,000 |
| | **10,000,000** | **10,000,000** |

### 13.1 Reconciliation of number of shares outstanding at the beginning and at the end of the year

| Particulars | 31 March 2019 and | 31 March 2018 |
|---|---|---|
| | Number of Shares | Number of Shares |
| **Equity shares** | | |
| At the commencement of the year | 1,000,000 | 1,000,000 |
| Shares issued | - | - |
| At the end of the year | 1,000,000 | 1,000,000 |

### 13.2 Shares held by Holding Company

| Particulars | 31 March 2019 and | 31 March 2018 |
|---|---|---|
| | Number of Shares | Number of Shares |
| Equity shares | | |
| Equity shares of par value Rs 10 each | | |
| Quess Corp Limited | 999,999 | 999,999 |

### 13.3 Details of shareholders holding more than 5% shares in the Company

| Particulars | 31 March 2019 and | 31 March 2018 |
|---|---|---|
| | Number of Shares | Number of Shares |
| Equity shares of par value Rs 10 each | | |
| Quess Corp Limited | 999,999 | 999,999 |

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## 14 Other Equity

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Retained earnings at the end of the period* | 74,447,583 | 70,029,349 |
| Other comprehensive income at the end of the period* | 2,751,466 | (162,622) |
| Other reserves at the end of the period* | 1,050,000 | 1,050,000 |
| | **78,249,049** | **70,916,727** |

** For detailed movement of reserves refer Statement of changes in Equity*

## 15 Non-current provisions

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefit** | | |
| Provision for compensated absences(Refer note 37) | 4,371,407 | 5,382,184 |
| Provision for gratuity(Refer note 36) | 12,396,927 | 11,421,926 |
| | **16,768,334** | **16,804,110** |

## 16 Trade payables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to micro, small and medium enterprises (refer note 39) | - | - |
| Dues to other than micro, small and medium enterprises * | 120,424,951 | 7,248,736 |
| | **120,424,951** | **7,248,736** |

As on 31 March 2019 and 31 March 2018, there are no outstanding amounts due to micro and small enterprises. There are no interests due or outstanding on the same.
** Includes trade payables to related parties . Refer note 34.*

## 17 Borrowings

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Loans from bank repayable on demand | | |
| *Secured* | | |
| Bill discounting facility from bank * | 56,015,550 | 59,539,644 |
| *Loan from related parties, unsecured* | | |
| From Holding company** | 113,792,857 | 106,028,044 |
| | **169,808,407** | **165,567,688** |

*The Company has availed packing credit in foreign currency (PCFC) & post shipment credit in foreign currency (PSFC) facilities from Yes bank Limited and utilised Rs.56,015,550 (Previous Year: Rs 59,539,644.) of PSFC. The facility is secured by way of pari passu first charge on the entire current assets of the Company. The rate of interest is bank's base rate plus 1.75% p.a.

** The company has availed short term loan from its holding company- Quess Corp Limited wherein the repayment date should be not exceeding 12 months from the date of disbursement. The interest rate is charged at equivalent of 10 year India Government Bond rate with monthly interest periods. Refer note 34.

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## 18 Other current financial liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Accrued salaries and benefits | 25,011,160 | 27,408,928 |
| Accrued Expenses * | 30,305,199 | 58,387,067 |
| | **55,316,359** | **85,795,995** |

** Includes accrued expenses for related parties . Refer note 34.*

## 19 Current provisions

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (Refer note 36) | 626,913 | 487,611 |
| Provision for compensated absences (Refer note 37) | 1,660,795 | 2,049,298 |
| | **2,287,708** | **2,536,909** |

## 20 Other current liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 8,364,005 | 10,360,513 |
| | **8,364,005** | **10,360,513** |

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## 21 Revenue from operations

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Software sales and service | 498,941,843 | 510,957,677 |
| Sale of licenses | 2,152,824 | 1,625,400 |
| | **501,094,667** | **512,583,077** |

## 22 Other income

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest income under effective interest method on: | | |
| Interest income on present valuation of financial instruments | 1,293,734 | 1,276,098 |
| Foreign exchange gain | 11,415,105 | - |
| | **12,708,839** | **1,276,098** |

## 23 Cost of materials consumed

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Cost of materials consumed | 1,778,155 | 1,581,850 |
| | **1,778,155** | **1,581,850** |

## 24 Employee benefits expense

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries, Remuneration and incentives | 328,655,642 | 334,507,653 |
| Gratuity | 5,319,007 | 5,359,213 |
| Compensated absences | (1,399,280) | 1,470,121 |
| Contribution to provident and other funds | 7,421,893 | 7,309,492 |
| Staff welfare expenses | 3,681,461 | 3,699,063 |
| | **343,678,723** | **352,345,542** |

## 25 Finance costs

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest expense* | 10,799,490 | 8,014,012 |
| Other borrowing costs | 957,863 | 880,071 |
| | **11,757,352** | **8,894,083** |

**Includes Interest to Holding company. Refer Note No 34.*

## 26 Depreciation and amortisation expense

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation and amortisation | 5,123,489 | 4,887,774 |
| | **5,123,489** | **4,887,774** |

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## 27 Other expenses

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Rent | 23,916,490 | 23,316,863 |
| Legal and professional fees* (includes professional charges to holding company. Refer note 34) | 80,647,129 | 37,680,492 |
| Travel expenses | 20,279,945 | 18,676,328 |
| Power and fuel | 7,324,975 | 6,765,182 |
| Communication expenses | 4,247,110 | 3,972,556 |
| Foreign exchange loss, net | - | 3,283,830 |
| Security Charges | 2,253,847 | 1,862,419 |
| Local conveyance | 1,899,514 | 1,826,805 |
| Repairs and maintenance | | |
| - buildings | 1,725,666 | 1,678,648 |
| - computer and equipment | 614,249 | 469,575 |
| Subscription | 1,755,291 | 2,888,343 |
| Impairment loss allowance on financial assets, net | 617,115 | 163,204 |
| Rates and taxes | 327,468 | 204,617 |
| Printing and stationery | 283,048 | 303,748 |
| Business Promotion | 142,290 | 1,490,471 |
| Insurance | 165,461 | 125,518 |
| Bank charges | 76,404 | 126,394 |
| | **146,276,002** | **104,834,993** |

***Auditors' remuneration (net of GST; included in legal and professional fees)**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 285,250 | 232,500 |
| Tax audit fees | 99,220 | 436,950 |
| | **384,470** | **669,450** |

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**28 Financial instruments - fair value and risk management**

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-19 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| **Amortised cost** | | | | |
| Trade receivable | 296,878,265 | - | - | - |
| Cash and cash equivalents | 44,627,109 | - | - | - |
| Loans | 11,131,564 | - | - | - |
| Other assets | 37,247,317 | - | - | - |
| **Total financial assets** | **389,884,254** | - | - | - |

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-19 | Level 1 | Level 2 | Level 3 |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Loans and borrowings | 169,808,407 | - | - | - |
| Trade payables | 120,424,951 | - | - | - |
| Other liabilities | 55.316.359 | - | - | - |
| **Total financial liabilities** | **345,549,717** | - | - | - |

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-18 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| **Amortised cost** | | | | |
| Trade receivable | 258,329,642 | - | - | - |
| Cash and cash equivalents | 23,375,875 | - | - | - |
| Loans | 13,568,389 | - | - | - |
| Other assets | 42,213,119 | - | - | - |
| **Total financial assets** | **337,487,026** | - | - | - |

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-18 | Level 1 | Level 2 | Level 3 |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Loans and borrowings | 165,567,688 | - | - | - |
| Trade payables | 7,248,736 | - | - | - |
| Other liabilities | 85,795,995 | - | - | - |
| **Total financial liabilities** | **258,612,419** | - | - | - |

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**Fair value hierarchy**

**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

**Level 2**: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference shares included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

**A Financial Assets:**

1) Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

1) **Borrowings**: It includes cash credit and overdraft facilities, working capital loan and bill discounting facilities. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the loan is reset on a monthly/quarterly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

2) **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

3) **Financial liability:** The fair value of financial liability has been determined by discounting consideration payable on commitment to sell. The probability of the estimate within the range can be reasonably assessed and are used in the management's estimates of fair value of this put option.

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**29 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk

**Risk management framework**

The Board of Directors of MFX Infotech Private Limited has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

***Expected credit loss assessment for corporate customers as at 31 March 2018 and 31 March 2019 are as follows:***

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 360 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

At 31 March 2019, the Company's most significant customer, a MFXchange US, Inc accounted for Rs 269,380,440 of the trade and other receivables carrying amount (31 March 2018 : Rs 247,917,880).

**Impairment**

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers :-**

**As at 31 March 2019**

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 119,658,076 | 0.115% | 137,803 | No | 119,520,273 |
| Past due 1–90 days | 133,242,094 | 0.149% | 198,779 | No | 133,043,315 |
| Past due 91–180 days | 39,691,289 | 0.206% | 81,800 | No | 39,609,489 |
| Past due 181–270 days | - | 1.020% | - | NA | - |
| Past due 271–360 days | 5,067,125 | 7.143% | 361,938 | No | 4,705,188 |
| Above 360 days | - | 100% | - | NA | - |
| | **297,658,584** | | **780,319** | | **296,878,265** |

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As at 31 March 2018

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 8,035,485 | 0.042% | 3,355 | No | 8,032,130 |
| Past due 1–90 days | 145,030,346 | 0.049% | 71,419 | No | 144,958,927 |
| Past due 91–180 days | 105,427,015 | 0.084% | 88,430 | No | 105,338,585 |
| Past due 181–270 days | - | 1.020% | - | NA | - |
| Past due 271–360 days | - | 7.143% | - | NA | - |
| Above 360 days | - | 100.000% | - | NA | - |
| | **258,492,846** | | **163,204** | | **258,329,642** |

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates. The Company's objective is to maintain a balance between cash outflow and inflow. The company believes that the working capital is sufficient to meet its current requirements. Accordingly no liquidity risk is perceived.

**Financing arrangement**

The Company maintains the following line of credit:

(i) The Company has taken bill discounting facilities from banks having interest rate of Base rate+1.75%. The facility is secured by way of pari passu first charge on the entire current assets of the Company and corporate guarantee from Holding company.

**The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March, 2019 and 31 March 2018 :-**

| Particulars | Carrying amount | As at 31 March 2019 | | |
|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2 years and above |
| Borrowings | 169,808,407 | 169,808,407 | - | - |
| Trade payables | 120,424,951 | 120,424,951 | - | - |
| Other financial liabilities | 55,316,359 | 55,316,359 | - | - |

| Particulars | Carrying amount | As at 31 March 2018 | | |
|---|---|---|---|---|
| | | Less than 1 year | 1-2 years | 2 years and above |
| Borrowings | 165,567,688 | 165,567,688 | - | - |
| Trade payables | 7,248,736 | 7,248,736 | - | - |
| Other financial liabilities | 85,795,995 | 85,795,995 | - | - |

**Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt.

**Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the Company companies.

**Exposure to currency risk**

The summary of quantitative data about the Company's exposure to currency risk as reported to management is as follows:

| Particulars | Currency | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|---|
| | | Foreign currency | Amount in Reporting Currency | Foreign currency | Amount in Reporting Currency |
| Trade receivables | USD | 4,248,554 | 293,808,752 | 3,936,688 | 256,574,874 |
| | | **4,248,554** | **293,808,752** | **3,936,688** | **256,574,874** |

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The following significant exchange rates have been applied

| Particulars | Year end spot rate | |
|---|---|---|
| | **31 March 2019** | **31 March 2018** |
| USD/ INR | 69.155 | 65.175 |

**Sensitivity analysis**

A reasonably possible strengthening/ (weakening) of the USD against INR at 31 March 2019 and 31 March 2018 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | **Strengthening** | **Weakening** | **Strengthening** | **Weakening** |
| **31 March 2019** | | | | |
| USD (2% movement) | 5,876,175 | (5,876,175) | 4,241,423 | (4,241,423) |
| **31 March 2018** | | | | |
| USD (9% movement) | 23,091,739 | (23,091,739) | 16,729,965 | (16,729,965) |

**Interest rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowing comprises of invoice discounting facility which carries fixed rate of interest and borrowings from holding company, which do not expose it to significant interest rate risk.

**Interest rate risk exposure**

**The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:-**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | 169,808,407 | 165,567,688 |
| **Total borrowings** | **169,808,407** | **165,567,688** |

**Sensitivity analysis**

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | **1% Increase** | **1% decrease** | **1% Increase** | **1% decrease** |
| **31 March 2019** | | | | |
| Variable rate borrowings | (1,698,084) | 1,698,084 | (1,225,677) | 1,225,677 |
| **31 March 2018** | | | | |
| Variable rate borrowings | (1,655,677) | 1,655,677 | (1,199,538) | 1,199,538 |

**Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current borrowing, current maturities of long-term borrowings and current maturities of finance lease obligations less cash and cash equivalents.

**The capital structure is as follows :-**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Gross debt | 169,808,407 | 165,567,688 |
| Less: Cash and cash equivalents | 44,627,109 | 23,375,875 |
| Adjusted net debt | 125,181,298 | 142,191,813 |
| Total equity | 88,249,049 | 80,916,727 |
| Less: Effective portion of cash flow hedges and cost of hedging | - | - |
| Total equity | 88,249,049 | 80,916,727 |
| **Net debt to equity ratio** | **1.42** | **1.76** |

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**30 Revenue from Contracts with customers**

**(i) Disaggregation of revenue**

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The Company believes that this disagregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended March 31, 2019**

| Particulars | Amount |
|---|---|
| **Revenues by Geography** | |
| India | 14,544,640 |
| United States of America | 444,650,624 |
| Others | 41,899,403 |
| Total | 501,094,667 |

**(ii) Trade Receivables and Contract Balances**

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in INR )*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 296,878,265 | 258,329,642 |
| Contract assets | 37,247,317 | 42,213,119 |
| Contract liabilities | | |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date.The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 42,213,119 |
| Add : Revenue recognized during the period | 37,247,317 |
| Less : Invoiced during the period | 42,213,119 |
| Less : Impairment / (reversal) during the period | |
| Add : Translation gain/(Loss) | |
| Balance at the end | 37,247,317 |

The following table discloses the movement in unearned revenue (contract liabilities) balances for the year ended 31 March 2019

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | - |
| Add : Reclassified from assets held for sale | - |
| Less: Revenue recognized during the period | - |
| Add: Changes due to Business Combinations | - |
| Add: Invoiced during the period but not recognized as revenues | - |
| Add: Translation loss / (gain) | - |
| Balance at the end | - |

**(iii) Performance obligations and remaining performance obligations**

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expexcts to recognize these amounts in revenue.Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typicaaly those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is NIL.

**(iv) Changes in accounting policies**



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Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these standalone financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The qunatitative impact of the adoption of Ind AS 115 on the Standalone financial statements in the period of initial application is not material.

**31 Contingent liabilities and Capital commitment**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Contingent liabilities | - | - |
| Capital Commitments | 175,925 | - |
| | **175,925** | **-** |

**32 Unhedged foreign currency exposure**

Foreign currency exposures on account of trade receivables/ trade payables not hedged by derivative instruments are as follows:

| Particulars | Currency | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|---|
| | | Foreign currency | Amount in Rs | Foreign currency | Amount in Rs |
| Trade receivables | USD | 4,248,554 | 293,808,752 | 3,936,688 | 256,574,874 |
| | | **4,248,554** | **293,808,752** | **3,936,688** | **256,574,874** |

**33 Earnings in foreign currency**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Software sales and service | 486,550,027 | 452,472,961 |
| | **486,550,027** | **452,472,961** |

**Expenditure in foreign currency**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Travelling and conveyance | 7,263,330 | 6,270,531 |
| License Fee | 1,778,155 | 1,581,850 |
| Legal and professional fees | - | 969,450 |
| | **9,041,485** | **8,821,831** |

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## 34 Related party disclosures

### (i) Name of related parties and description of relationship:

| | |
|---|---|
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Subsidiaries, associates and joint venture | Refer Note (ii) |
| - Entity having common directors | Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 18 December 2018) |

**Key executive management personnel**

| | |
|---|---|
| Ranjit Nair | Director |
| Subrata Nag | Director |

### (ii) List of fellow subsidiaries (including step-subsidiaries), associates and joint venture

| Name of the entity | Nature of relation |
|---|---|
| Coachieve Solutions Private Limited | Subsidiary |
| Aravon Services Private Limited | Subsidiary |
| Brainhunter Systems Ltd. | Subsidiary |
| Mindwire Systems Limited | Subsidiary |
| Brainhunter Companies LLC, USA | Subsidiary |
| Quess (Philippines) Corp. | Subsidiary |
| Quess Corp (USA) Inc. | Subsidiary |
| Quesscorp Holdings Pte. Ltd. | Subsidiary |
| Quessglobal (Malaysia) Sdn. Bhd. | Subsidiary |
| Quess Corp Lanka (Private) Limited | Subsidiary |
| Comtel Solutions Pte. Ltd. | Subsidiary |
| Ikya Business Services (Private) Limited | Subsidiary |
| MFXchange Holdings, Inc. | Subsidiary |
| MFXchange US, Inc. | Subsidiary |
| MFXchange (Ireland) Limited | Subsidiary |
| Quess Corp Vietnam LLC | Subsidiary |
| MFX Chile SpA | Subsidiary |
| Dependo Logistics Solutions Private Limited | Subsidiary |
| CentreQ Business Services Private Limited | Subsidiary |
| Excelus Learning Solutions Private Limited | Subsidiary |
| Inticore VJP Advance Systems Private Limited | Subsidiary |
| Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) | Subsidiary |
| Vedang Cellular Services Private Limited | Subsidiary |
| Master Staffing Solutions Private Limited | Subsidiary |
| Golden Star Facilities and Services Private Limited | Subsidiary |
| Comtelpro Pte. Limited | Subsidiary |
| Comtelink Sdn. Bhd | Subsidiary |
| Monster.com (India) Private Limited | Subsidiary |
| Monster.com.SG PTE Limited | Subsidiary |
| Monster.com HK Limited | Subsidiary |
| Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn Bhd) | Subsidiary |
| Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | Subsidiary |
| Greenpiece Landscapes India Private Limited | Subsidiary |
| Simpliance Technologies Private Limited | Subsidiary |
| Quesscorp Management Consultancies (formerly known as Styracorp Management Services) | Subsidiary |
| Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower Supply Services (LLC)] | Subsidiary |
| Trimax Smart Infraprojects Private Limited | Associate |
| Terrier Security Services (India) Private Limited | Associate |
| Himmer Industrial Services (M) Sdn. Bhd. | Joint venture |

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**(ii) Related party transactions during the year/period**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Revenue from operations** | **444,650,624** | **498,528,552** |
| MFXchange US, Inc | 439,881,776 | 432,463,453 |
| MFXchange Holdings, Inc | 4,768,848 | 1,832,953 |
| Quess Corp Limited | - | 55,820,055 |
| Brainhunter Systems Limited, Canada | - | 376,606 |
| Quesscorp Holdings Pte. Ltd, Singapore | - | 8,035,485 |
| Go Digit General Insurance Limited | 2,189,978 | 572,744 |
| **Expenses incurred by related parties on behalf of the Company** | **3,814,323** | **10,588,036** |
| Quess Corp Limited | 3,814,323 | 10,588,036 |
| **Unsecured loans received from Holding company** | **5,000,000** | **120,000,000** |
| Quess Corp Limited | 5,000,000 | 120,000,000 |
| **Repayment of loans received from Holding company** | **4,000,000** | **34,900,000** |
| Quess Corp Limited | 4,000,000 | 34,900,000 |
| **Interest on unsecured loans** | **7,516,461** | **6,336,359** |
| Quess Corp Limited | 7,516,461 | 6,336,359 |
| **Rendering of services by related parties** | **75,604,777** | **32,425,982** |
| Quess Corp Limited | 73,000,000 | 30,000,000 |
| Terrier Security Services India Pvt Ltd | 2,604,777 | 2,425,982 |
| **Bank Guarantees by holding company** | | |
| Quess Corp Limited | | 60,000,000 |

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Trade receivables** | **274,447,565** | **256,574,874** |
| MFXchange US, Inc | 269,380,440 | 247,917,880 |
| MFXchange Holdings Inc | - | 621,509 |
| Quess Corp Holdings Pte Ltd | 5,067,125 | 8,035,485 |
| **Unbilled revenue** | **34,577,500** | **36,979,525** |
| MFXchange US, Inc | 34,577,500 | 36,829,525 |
| Quess Corp Limited | - | - |
| Go Digit General Insurance Limited | - | 150,000 |
| **Provision for expenses** | - | **27,000,000** |
| Quess Corp Limited | - | 27,000,000 |
| **Trade payables** | **116,658,003** | **2,385,342** |
| Terrier Security Services India Pvt Ltd | 1,603,680 | 2,385,342 |
| Quess Corp Limited | 115,054,323 | - |
| **Unsecured Loan payable including interest** | **113,792,857** | **106,028,043** |
| Quess Corp Limited | 113,792,857 | 106,028,043 |
| **Outstanding Bank Guarantees provided by holding company** | | |
| Quess Corp Limited | 60,000,000 | 60,000,000 |

**(iv) Compensation of key managerial personnel**

There is no compensation paid to Key Managerial Personnel during the year (Previous Year : NIL)

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MFX Infotech Private Limited
Notes to the financial statements for the year ended 31 March 2019

**35 Leases**

**Operating Leases**

The Company is obligated under cancellable and non-cancellable lease for office premises, which are renewable at the option of lessor and lessee. Total rental expense under cancellable and non-cancellable operating leases for the year ended 31 March 2019 amounted to Rs 32,428,892 (Previous Year : Rs.11,204,998) respectively.

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Payable within 1 year | 11,873,539 | 11,204,998 |
| Payable between 1-5 years | 20,555,353 | - |
| Payable later than 5 years | - | - |

**36 Gratuity**

The following table sets out the funded status of the gratuity plans and the amounts recognized in the Company's financial statements as at 31 March 2019 and 31 March 2018

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Change in defined benefit obligation** | | |
| Obligation at the beginning of the year | 11,909,537 | 7,394,888 |
| Past service cost | - | 20,615 |
| Current service cost | 4,238,121 | 4,821,323 |
| Interest cost | 910,432 | 517,275 |
| Benefit settled | - | - |
| Actuarial (gain) / loss- Experience | (4,343,692) | (177,071) |
| Actuarial (gain) / loss- demographic assumptions | - | - |
| Actuarial (gain) / loss- financial assumptions | 306,440 | (667,493) |
| **Obligation at end of the year** | **13,020,838** | **11,909,537** |

**Reconciliation of present value of the obligation and the fair value of the plan assets**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Fair value of plan assets at the end of the year | - | - |
| Present value of the defined benefit obligations at the end of the year | 13,020,838 | 11,909,537 |
| Liability recognised in the balance sheet | **13,020,838** | **11,909,537** |
| | | |
| Current | 626,913 | 487,611 |
| Non-current | 12,396,927 | 11,421,926 |

**Gratuity cost for the year**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current service cost | 4,238,121 | 4,821,323 |
| Past service cost | - | 20,615 |
| Net interest on net defined benefit liability/(asset) | 910,432 | 517,275 |
| Re-measurement- actuarial gain/(loss) recognised on OCI | (4,037,252) | (844,564) |
| **Net gratuity cost** | **1,111,301** | **4,514,649** |

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**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

| | 31 March 2019 | | 31st March | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 12,043,166 | 14,134,762 | 10,986,610 | 12,962,135 |
| Future salary growth(1% movement) | 14,102,345 | 12,048,687 | 12,937,945 | 10,989,415 |

**Assumptions**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 7.35% | 7.65% |
| Estimated rate of return on plan assets | NA | NA |
| Salary increase | 9.00% | 9.00% |
| Attrition rate | 12.50% | 12.50% |
| Retirement age | 58 years | 58 years |
| Mortality Rate | LIC(2006-08) published table of Mortality Rates | LIC(2006-08) published table of Mortality Rates |

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Maturity profile of defined benefit obligation :-

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Within 1 year | 626,913 | 487,611 |
| 2-5 years | 6,109,180 | 5,035,163 |
| 6-10 years | 6,272,871 | 6,845,812 |
| >10 years | 13,763,691 | 13,542,176 |
| | 26,772,655 | 25,910,762 |

**37 Compensated absence**

The company has accounted the cost of compensated absences based on the actuarial valuation report obtained as at 31 March 2019 and has estimated a compensated absence liability of Rs.6,032,202 (Previous Year: Rs.7,431,482) under Projected Unit Credit Method as per IND AS 19. During the year, the Company has accounted in the incremental liability accounted in previous year in the statement of profit and loss for the year

**Key Assumptions used in the valuation of Compensated absence are as given below**

**Assumptions**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 7.35% | 7.65% |
| Estimated rate of return on plan assets | NA | NA |
| Salary increase | 9.00% | 9.00% |
| Attrition rate | 12.50% | 12.50% |
| Retirement age | 58 years | 58 years |
| Mortality Rate | LIC(2006-08) published table of Mortality Rates | LIC(2006-08) published table of Mortality Rates |

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**Set out below is the movement in provision balances in accordance with Ind AS 37, 'Provisions, Contingent Liabilities and Contingent**

| **Particulars** | **Privilege Leave** |
|---|---|
| Balance as at 1 April 2017 | 5,961,361 |
| Add: Additions during the year | 1,470,121 |
| Less: Utilisation/reversal during the year | - |
| **Closing balance as at 31 March 2018** | **7,431,482** |
| Balance as at 1 April 2018 | 7,431,482 |
| Add: Additions during the year | - |
| Less: Utilisation/reversal during the year | 1,399,280 |
| **Closing balance as at 31 March 2019** | **6,032,202** |

**38 Earnings per Share**

| **Particulars** | **31 March 2019** | **31 March 2018** |
|---|---|---|
| Profit after Tax and Other Comprehensive Income | 4,418,234 | 28,177,359 |
| No.of Shares | 1,000,000 | 1,000,000 |
| Earnings per Share(EPS) | **4.42** | **28.18** |
| Diluted | **4.42** | **28.18** |

**39 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum.

The company does not have any transactions with MSMED companies and hence balance payable is NIL as on 31 March 2019 (Previous Year:NIL)

**40 Segment Reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The company is engaged in the business of Software Support Services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The company's management is of the opinion that the company does not have secondary segments and hence segment reporting is not applicable.

**41 Transfer Pricing**

The company's management is of the opinion that its international transactions with related parties entered during the previous year are at arms' length and is compliant with the transfer pricing legislation as per independent accountant's report for the year ended 31 March 2018.The company is in the process of compiling the documentation of transfer pricing for the year ended 31 March 2019. The company's management believes that the Company's transactions with the related parties continue to be at arms' length and that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of the provision for taxation.

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 26 April 2019

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

for and on behalf of Board of Directors of
**MFX Infotech Private Limited**

| **Ranjit Nair** | **Subrata Nag** |
|---|---|
| **Director** | **Director** |
| Place: Bengaluru | Place: Bengaluru |
| Date: 26 April 2019 | Date: 26 April 2019 |

MSKA
& Associates
Chartered Accountants

1101/B, Manjeera Trinity Corporate,
JNTU-Hitech City Road, Kukatpally,
Hyderabad-500072, Telangana, INDIA
Tel: +91 40 6814 2999

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Monster.com (India) Private Limited**

## Report on the Audit of the Ind AS Financial Statements

### Opinion

We have audited the Ind AS financial statements of **Monster.com (India) Private Limited** ("the Company"), which comprise the balance sheet as at 31st March 2019, and the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013("the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and loss, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the 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, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of 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,

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relevant to the preparation and presentation of the Ind AS financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.
Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 Ind AS financial statements.
We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of Financial Statements.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of accounts.

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

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(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, 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.

3. In our opinion, according to information, explanations given to us, the provisions of Section 197 of the Act and the rules thereunder are not applicable to the Company as it is a private Company.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

**Ananthakrishnan Govindan**
Partner
Membership No. 205226
Place: Hyderabad, INDIA
Date: May 08, 2019

**ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE FINANCIAL STATEMENTS OF MONSTER.COM (INDIA) PRIVATE LIMITED**

**Auditor's Responsibilities for the Audit of the Financial Statements**

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES
Hyderabad
Chartered Accountants

Ananthakrishnan Govindan
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 08, 2019

**ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MONSTER.COM (INDIA) PRIVATE LIMITED FOR THE YEAR ENDED 31st MARCH 2019**

[Referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

i.

a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).

b. The fixed assets of the Company have not been physically verified by the management during the year. The company has not followed the regular program of verification in which the all the fixed assets needs to be physically verified at least once in a cycle of three years. Accordingly, material discrepancies, if any, could not be ascertained and therefore, we are unable to comment on whether such material discrepancies have been properly dealt with in the books of account.

c. The Company does not have any immovable property. Accordingly, the requirements of paragraph 3(i)(c) of the Order are not applicable to the Company.

ii. The Company is involved in the business of rendering services. Accordingly, the provisions stated in paragraph 3(ii) of the Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties* covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has not either directly or indirectly, granted any loan to any of its directors or to any other person in whom the director is interested, in accordance with the provisions of section 185 of the Act and the Company has not made investments through more than two layers of investment companies in accordance with the provisions of section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are not applicable to the Company.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.

vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.

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vii.

(a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues applicable to it.

(b) According to the information and explanation given to us and examination of records of the Company, the outstanding dues of income-tax, goods and service tax, customs duty, cess and any other statutory dues on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount Rs. | Period to which the amount relates | Forum where dispute is pending | Remarks, if any |
|---|---|---|---|---|---|
| Income Tax Act, 1961 | Income Tax Demand | 37,497,730 | FY 2009-10 | ITAT | |
| Income Tax Act, 1961 | Income Tax Demand | 616,000 | FY 2011-12 | CIT(A) | |
| Finance Act, 1994 | Service Tax Demand | 63,723,857 | FY 2008-09 to FY 2013-14 | CESTAT | |

viii. The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, the provision stated in paragraph 3(viii) of the Order is not applicable to the Company.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.

x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.

xi. According to the information and explanations given to us, since the Company is a Private Company, the provisions of section 197 of the Act will not be applicable. Accordingly, the provisions stated in paragraph 3(xi) of the Order are not applicable to the Company.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177

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and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.

xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES Hyderabad Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 08, 2019

**ANNEXURE C TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MONSTER.COM (INDIA) PRIVATE LIMITED**

[Referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

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

We have audited the internal financial controls with reference to financial statements of **Monster.com (India) Private Limited** ("the Company") as of March 31, 2019 in conjunction with our audit of the 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 with reference to financial statements 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 (ICAI) (the "Guidance Note"). 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 Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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Our audit involves performing procedures to obtain audit evidence about the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 with reference to financial statements.

**Meaning of Internal Financial Controls With Reference to Financial Statements**

A Company's internal financial control with reference to financial statements 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 with reference to financial statements 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 With Reference to Financial Statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may

MSKA & ASSOCIATES Hyderabad Chartered Accountants

become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES
Hyderabad
Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 8, 2019

**Monster.com (India) Private Limited**

(Amount in INR lakhs, unless stated otherwise)

| Balance Sheet | Note | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 (a) | 457.15 | 551.03 |
| Other intangible assets | 3 (b) | 77.99 | - |
| Intangible assets under development | 3 (b) | 448.53 | - |
| Financial assets | | | |
| (ii) Loans | 4 | 223.32 | 410.29 |
| (iii) Other financial assets | 5 | 16.74 | 16.74 |
| Deferred tax assets (net) | 6 | 1,169.67 | - |
| Income tax assets (net) | 7 | 2,910.82 | 2,504.47 |
| Other non-current assets | 8 | 2.20 | 31.68 |
| **Total non-current assets** | | **5,306.42** | **3,514.21** |
| **Current assets** | | | |
| Financial assets | | | |
| (i) Trade receivables | 9 | 4,164.11 | 4,156.29 |
| (ii) Cash and cash equivalents | 10 | 352.12 | 1,630.57 |
| (iii) Bank balances other than cash and cash equivalents above | 11 | 15.30 | 2,514.51 |
| (iv) Loans | 12 | 33.84 | 47.57 |
| (v) Other financial assets | 13 | 7.10 | 24.90 |
| Other current assets | 14 | 1,661.21 | 1,331.85 |
| **Total current assets** | | **6,233.68** | **9,705.69** |
| **Total Assets** | | **11,540.10** | **13,219.90** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | 5.00 | 5.00 |
| Other equity | 16 | 2,798.15 | 3,009.51 |
| **Total equity** | | **2,803.15** | **3,014.51** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current provisions | 17 | 513.03 | 646.16 |
| **Total non-current liabilities** | | **513.03** | **646.16** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| (i) Trade payables | 18 | 1,002.62 | 630.74 |
| (ii) Other financial liabilities | 19 | 757.74 | 2,986.67 |
| Current provisions | 20 | 15.39 | 11.11 |
| Other current liabilities | 21 | 6,448.17 | 5,930.71 |
| **Total current liabilities** | | **8,223.92** | **9,559.23** |
| **Total Liabilities** | | **8,736.95** | **10,205.39** |
| **Total Equity and Liabilities** | | **11,540.10** | **13,219.90** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date
**For MSKA & Associates (Formerly known as MZSK & Associates)**
**Chartered Accountants**
Firm Registration No.:105047W

**Ananthakrishnan Govindan**
Partner
Membership No: 205226

Place: Hyderabad, INDIA
Date: May 08, 2019

For and on behalf of the Board of Directors
**Monster.com (India) Private Limited**
CIN: U72200TG2000PTC035617

**Abhijeet Mukherjee**
Director
DIN: 08065972

**Manoj Jain**
Director
DIN: 03275058

MSKA & Associates Hyderabad Chartered Accountants

Monster.com (India) Private Limited Hyderabad

**Monster.com (India) Private Limited**

(Amount in INR lakhs, except per share data)

| Statement of Profit and Loss | Note | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 23 | 13,097.25 | 13,204.85 |
| Other income | 24 | 346.71 | 672.00 |
| **Total income** | | **13,443.96** | **13,876.85** |
| **Expenses** | | | |
| Employee benefit expenses | 25 | 5,431.57 | 7,620.19 |
| Marketing and business promotional expenses | | 3,992.85 | 3,574.53 |
| Reseller Services purchase expenses | | 1,704.86 | - |
| Finance costs | 26 | 87.22 | 94.88 |
| Depreciation and amortisation expenses | 3 (a) | 250.99 | 246.27 |
| Other expenses | 27 | 3,358.44 | 3,629.73 |
| **Total expenses** | | **14,825.93** | **15,165.60** |
| **Profit/(Loss) before income tax** | | **-1,381.97** | **-1,288.75** |
| **Tax expense** | | | |
| Current tax | | - | - |
| -Tax expense of foreign branches | 6 | -22.71 | -36.22 |
| Deferred tax | 6 | 1,134.28 | -713.54 |
| **Total tax expenses** | | **1,111.57** | **-749.76** |
| **Profit/(Loss) for the year** | | **-270.40** | **-2,038.51** |
| **Other comprehensive income/ (expense)** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Remeasurement of the net defined benefit liability/ asset | | 23.65 | 112.49 |
| Income tax relating to items that will not be reclassified to profit or loss | | 35.40 | - |
| Other comprehensive income for the period | | - | - |
| **Other comprehensive income/ (expense) for the year, net of income tax** | | **59.05** | **112.49** |
| **Total comprehensive income for the year** | | **-211.36** | **-1,926.02** |
| **Earnings/(Loss) per equity share (face value of Rs 10 each)** | | | |
| Basic earnings /(loss) per share (in INR) | 33 | (541) | (4,077) |
| Diluted earnings /(loss) per share (in INR) | 33 | (541) | (4,077) |

The notes referred to above form an integral part of the financial statements.

As per our report of even date

**For MSKA & Associates (Formerly known as MZSK & Associates)**
**Chartered Accountants**
Firm Registration No.:105047W

**Ananthakrishnan Govindan**
Partner
Membership No: 205226

Place: Hyderabad, INDIA
Date: May 08, 2019

For and on behalf of the Board of Directors
**Monster.com (India) Private Limited**
CIN: U72200TG2000PTC035617

**Abhijeet Mukherjee**
Director
DIN: 08065972

**Manoj Jain**
Director
DIN: 03275058

MSKA & Associates Hyderabad Chartered Accountants

Monster.com (India) Private Limited Hyderabad

Monster.com (India) Private Limited

(Amount in INR lakhs, unless stated otherwise)

| Statement of Cash Flows | For the year ended 2019 | For the year ended 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(Loss) before tax | **-1,381.97** | **-1,288.75** |
| **Adjustments for:** | | |
| Depreciation and amortisation expenses | 250.99 | 246.27 |
| Gain on sale of investment into subsidiaries | - | -45.42 |
| Unrealised Foreign Exchange loss/(gain) (net) | 57.52 | -236.87 |
| Liabilities no longer required written back | -7.15 | -2.36 |
| Impairment loss allowance on financial assets (net) | 325.64 | 256.08 |
| Interest income | -122.86 | -219.01 |
| Exchange fluctuation gain on sale of investment | - | -221.62 |
| Interest income on present valuation of financial instruments | -10.44 | -39.22 |
| Impact of amortisation of financial asset | 34.66 | 37.98 |
| Impact of remeasurement of defined benefits obligation to OCI | 23.65 | 112.49 |
| **Operating cash flows before working capital changes** | -829.96 | -1,400.41 |
| **Changes in working capital:** | | |
| Trade and other receivables | -237.51 | 1,787.70 |
| Current loans & Other current assets | -315.71 | -906.91 |
| Non-current loans & other non-current assets | 192.24 | 25.12 |
| Non-current provisions | -133.13 | -97.30 |
| Changes in loans, other financial liabilities and other liabilities | -2,137.35 | |
| Trade payables | 225.56 | -912.29 |
| Other current liabilities | 425.92 | -2,116.77 |
| Current provisions | 4.46 | -0.90 |
| **Cash generated from operating activities** | -2,805.49 | -3,621.76 |
| Income taxes paid (net) | -429.05 | 909.71 |
| **Net cash provided by/ (used in) operating activities (A)** | -3,234.53 | -2,712.05 |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | -683.80 | -83.08 |
| Proceeds from sale of property, plant and equipment | - | 0.51 |
| Proceeds from sale of investment in subsidiaries | - | 5,449.92 |
| Interest received | 140.66 | 200.19 |
| **Net cash used in investing activities (B)** | -543.14 | 5,567.54 |
| **Cash flows from financing activities** | | |
| **Net cash provided by financing activities (C)** | - | - |
| **Net increase in cash and bank balances (A+B+C)** | **-3,777.67** | **2,855.49** |
| Cash and bank balances at the beginning of the year | 4,145.09 | 1,289.61 |
| **Cash and bank balances at the end of the year (refer note 10 & 11)** | **367.41** | **4,145.09** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date
**For MSKA & Associates (Formerly known as MZSK & Associates)**
**Chartered Accountants**
Firm Registration No.:105047W

**Ananthakrishnan Govindan**
Partner
Membership No: 205226

Place: Hyderabad, INDIA
Date: May 08, 2019

For and on behalf of the Board of Directors
**Monster.com (India) Private Limited**
CIN: U72200TG2000PTC035617

**Abhijeet Mukherjee**
Director
DIN: 08065972

**Manoj Jain**
Director
DIN: 03275058

**Monster.com (India) Private Limited**
**Statement of Changes in Equity for the year ended March 31, 2019**

**(A) Equity share capital**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Note | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| Opening balance | 15 | 5.00 | 5.00 |
| Changes in equity share capital | 15.1 | - | - |
| **Closing balance** | | **5.00** | **5.00** |

**(B) Other equity**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Note | Reserves and surplus | | | Other items of other comprehensive income | Total equity attributable to equity holders of the Company |
|---|---|---|---|---|---|---|
| | | Securities premium | Retained earnings | Capital reserve | Remeasurement of the net defined benefit | |
| **Balance as of 1 April 2017** | | **2,360.54** | **2,490.70** | **29.09** | **55.21** | **4,935.54** |
| Add: Profit for the year | | - | -2,038.51 | - | - | -2,038.51 |
| Add: Other comprehensive income (net of tax) | | - | - | - | 112.49 | 112.49 |
| **Balance as of 31 March 2018** | | **2,360.54** | **452.19** | **29.09** | **167.70** | **3,009.52** |
| **Balance as of 1 April 2018** | | **2,360.54** | **452.19** | **29.09** | **167.70** | **3,009.52** |
| Add: Profit for the year | | - | -270.40 | - | - | -270.40 |
| Add: Other comprehensive income (net of tax) | | - | - | - | 59.05 | 59.05 |
| **Balance as of 31 March 2019** | | **2,360.54** | **181.79** | **29.09** | **226.75** | **2,798.16** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date

**For MSKA & Associates (Formerly known as MZSK & Associates)**
**Chartered Accountants**
Firm Registration No.:105047W

**Ananthakrishnan Govindan**
Partner
Membership No: 205226

Place: Hyderabad, INDIA
Date: May 08, 2019

For and on behalf of the Board of Directors
**Monster.com (India) Private Limited**
CIN: U72200TG2000PTC035617

**Abhijeet Mukherjee**
Director
DIN: 08065972

**Manoj Jain**
Director
DIN: 03275058

Monster.com (India) Private Limited

**Notes to the Financial Statements for the year ended March 31, 2019**
(Amount in INR Lakhs, unless otherwise stated)

**1 Corporate Information/Background:**

Monster.com (India) Private Limited ("the company") is a private limited company registered under the Indian Companies Act, 1956. The company provides online recruitment solutions through its various job portals. It provides the internet based (online) e-recruitment solutions by connecting employers with right job seekers at all levels and also provides personalized career services to job seekers. For employers, the company's goal is to provide the most effective solutions and easy to use technology to simplify the hiring process and cost effectively deliver access to the community of job seekers. For job seekers, the company's purpose is to help improve their careers by providing work-related content, services and advice.

The company's services and solutions include searchable job advertisements, access to Job seeker resume database, recruitment media solutions through our advertising network and partnerships and other career-related content. Job seekers can search our job advertisements and post their resumes for free on each of our career websites and mobile applications. Employers pay to advertise available jobs and recruitment related services, search our resume database and access other career-related services. The recruitment solutions to employers are mostly in the nature of payment of subscription fee for an agreed tenure. The company is conducting its operations in India, Gulf region and Philippines. The company is having three foreign branch offices in Dubai (UAE) & Riyadh (Kingdom of Saudi Arabia) catering to operations in Gulf/Middle east region and one foreign branch office in Manila (Philippines) catering to Philippines operations.

Further, Company is also engaged in providing low end tele-marketing call center services (BPO activity) and providing management services to its associated parties situated in the Singapore and Malaysia in small scale; and providing Internet advertisement services.

**2 Significant accounting policies**

Significant accounting policies adopted by the company are as under:

**2.1 Basis of Preparation of Financial Statements**

(a) **Statement of Compliance with Ind AS**

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the "Act") read with the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Effective 1 April 2016, the Company has adopted all the Ind AS standards and the first time adoption was carried out in accordance with Ind AS 101, First time adoption of Indian Accounting Standards with April 1, 2016 as the transition date.

The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Sec 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the Previous GAAP and an explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the company is provided in Note 43.

Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

(b) **Basis of measurement**

The financial statements have been prepared on a historical cost convention on accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:-

i) Certain financial assets and liabilities measured at fair value (refer accounting policy on financial instruments)
ii) Asset classified as held for sale

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the rendering of service and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and noncurrent classification of assets and liabilities.

Monster.com (India) Private Limited *Hyderabad*

(c) **Use of estimates & judgements**

The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Income taxes: Significant judgments are involved in determining the reversal of deferred tax assets based on the probability of carryforward of losses.

ii) Measurement of defined benefit obligations: The cost of the defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

iii) Impairment of financial assets: The company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost.

iv) Property, plant and equipment: : The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

v) Other estimates: The impairment of non-financial assets involves key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets.

**2.2 Fixed Assets**

**A. Property, plant and equipment**

**(i) Recognition and Measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred.

**(ii) Depreciation**

Depreciation is provided on a Straight Line Method ('SLM') over estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognized in the statement of profit and loss. The management believes that the useful lives as given below best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence , the useful lives for some of these assets is different from the useful lives as prescribed under part C of Schedule II of the Companies Act, 2013.

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Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of). The Company has estimated the useful lives for property, plant and equipment as follows:

| Asset Category | Useful life (in years) |
|---|---|
| Furniture & Fixtures | 10 |
| Vehicle | 8 |
| Office Equipment | |
| Cell Phones | 3 |
| Other Office Equipment | 5 |
| Computer Equipment | |
| Computers & Data processing units (Servers and Netw | 6 |
| Computers & Data processing units (Desktops & Laptc | 3 |
| Electrical & Office Equipment | 10 |

* Leasehold improvements are amortized over the lease term or estimated useful life of the asset whichever is lower.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed periodically, including at each financial year end and adjusted if appropriate.

**B. Intangible Assets**

Intangible assets are stated at acquisition cost, net of accumulated amortization.

The Company amortized intangible assets over their estimated useful lives using the straight line method. The estimated useful lives of intangible assets are as follows:

| Intangible assets | Useful life |
|---|---|
| Intangible assets developed internally | 5 years |
| Other Software licenses | 3 years |

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

**2.3 Foreign Currency Transactions**

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

(b) Transactions and balances

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Gains/Losses arising out of fluctuation in foreign exchange rate between the transaction date and settlement date are recognised in the Statement of Profit and Loss.

All monetary assets and liabilities in foreign currencies are restated at the year end at the exchange rate prevailing at the year end and the exchange differences are recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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## 2.4 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

► In the principal market for the asset or liability, or

► In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the Company.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The Company's management determines the policies and procedures for fair value measurement such as derivative instrument.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## 2.5 Revenue Recognition

**Revenue from Services**

Effective April 1, 2018, the Company has adopted IndAS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met as described below.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration it expects to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognised as the services are performed as per the terms of the arrangement with the customer.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of indirect taxes, trade allowances, rebates and amounts collected on behalf of third parties and is not recognised in instances where there is uncertainty with regard to ultimate collection. In such cases revenue is recognised on reasonable certainty of collection. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved.

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

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Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

Revenue recognized in excess of billing are classified as contract assets (referred to as "Unbilled revenue"); while, billing in excess of revenue recognized is classified as contract liabilities (referred to as "Unearned/Unmatured revenues").

The effect of adoption of Ind AS was insignificant.

► Revenue from Online Recruitment Services where the terms of transaction provide for licensing the product on a subscription basis, revenue is recognized evenly over the contract / subscription period on a straight-line basis. Substantially all services are provided on a contracted price basis.

► Revenue from Business Process Outsourcing (BPO) services is recognized on time and material basis on rendering of related services as per the terms of the contract. The services are provided on cost plus mark up basis.

► Revenue from Internet Advertisement/media work services is recognised as and when services are rendered as per the terms of the contract and the collectability is reasonably assured.

'Unearned/unmatured revenues' are included in other current liabilities.

**Other Income**

Interest Income is recognised on a basis of effective interest method as set out in Ind AS 109, Financial Instruments, and where no significant uncertainty as to measurability or collectability exists.

However, in case of interest income from short term financial assets such as term deposits, Interest income is recognized on a time proportion basis taking into account the amount outstanding and applicable interest rate.

**Note:** In case of interest income that may raise on refunds due from statutory authorities, income is recognised in the year of actual receipt of such interest on cash basis.

**2.6 Taxes**

Tax expense for the year, comprising current and deferred tax, are included in the determination of the net profit or loss for the year. Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income-tax Act, 1961.

(a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the year end date. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(b) Deferred tax

Deferred income tax is provided in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(c) Tax expense relating to foreign branches

The amount of tax whatever name be called, that has been levied on income earned by branches outside of India, to the extent does not qualify for tax relief benefit under a particular double tax avoidance agreement or other or by any other reason that cannot be setoff with taxes payable in India, the same are charged to profit and loss account.

**2.7 Assets classified as held for sale**

The Company classifies non-current assets (or disposal group) as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use.

The criteria for held for sale classification is regarded met only when the assets (or disposal group) is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal group), its sale is highly probable; and it will genuinely be sold, not abandoned. The Company treats sale of the asset (or disposal group) to be highly probable when:

- ► The appropriate level of management is committed to a plan to sell the asset (or disposal group),
- ► An active programmed to locate a buyer and complete the plan has been initiated (if applicable),
- ► The asset (or disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- ► The sale is expected to qualify for recognition as a completed sale within one year from the date of classification , and
- ► Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets (or disposal group) held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities (or disposal group) classified as held for sale are presented separately in the balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

**2.8 Leases**

**As a lessee**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as a lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Also initial direct cost incurred in operating lease such as commissions, legal fees and internal costs is recognised immediately in the Statement of Profit and Loss.

**2.9 Impairment of non-financial assets**

The Company assesses at each year end whether there is any objective evidence that a non financial asset or a group of non financial assets is impaired. If any such indication exists, the Company estimates the asset's recoverable amount and the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognized in Statement of Profit and Loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through Statement of Profit and Loss.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash in flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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**2.10 Provisions and contingent liabilities**

Provisions are recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**2.11 Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks, cash on hand and short-term deposits net of bank overdraft with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, cash in banks and short-term deposits net of bank overdraft.

**2.12 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2.13 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.

**(a) Financial assets**

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

a) at amortized cost; or

b) at fair value through other comprehensive income; or

c) at fair value through profit or loss.

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

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method (EIR).

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

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

Equity instruments: All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument- by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss

(iii) Impairment of financial assets

In accordance with Ind AS 109, Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on financial assets that are measured at amortized cost and FVOCI.

For recognition of impairment loss on financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent years, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL. However, in case of trade receivables, in line with group policy, ECL measured at past 6 quarter average is used subject to any other estimate as deemed appropriate by the management.

Life time ECLs are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the year end.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider all contractual terms of the financial instrument (including prepayment, extension etc.) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payment is more than 180 days past due.

ECL impairment loss allowance (or reversal) recognized during the year is recognized as expense/income in the statement of profit and loss. In balance sheet ECL for financial assets measured at amortized cost is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

In addition to ECL, managaement also ealuating receivables at each level for credit risk and may consider same for impairment of such financial asset in full or part thereof.

The loss allowance for expected credit losses on the financial assets is considered at higher of ECL Model or Management estimate.

(iv) Derecognition of financial assets

A financial asset is derecognized only when

a) the rights to receive cash flows from the financial asset is transferred or

b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the financial asset is transferred then in that case financial asset is derecognized only if substantially all risks and rewards of ownership of the financial asset is transferred. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

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**(b) Financial liabilities**

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and at amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized 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 amortization is included as finance costs in the Statement of Profit and Loss.

(iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss as finance costs.

**(c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**2.14 Employee Benefits**

(a) **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) **Other long-term employee benefit obligations**

(i) **Defined contribution plan**

Provident Fund: Contribution towards provident fund is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis which are charged to the Statement of Profit and Loss.

Employee's State Insurance Scheme: Contribution towards employees' state insurance scheme is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis which are charged to the Statement of Profit and Loss.

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(ii) **Defined benefit plans**

Gratuity: The Company provides for gratuity, a defined benefit plan (the 'Gratuity Plan") covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognized in the other comprehensive income in the year in which they arise.

Compensated Absences: The company had compesated absences which are vested and unfunded, which are treated earned leaves that are encashable till March 31, 2018. Effective from April 1, 2018 Company has adopted new compenses abnsesces policy, where in the leaves are unvsted and eligible for caryyforwad but not encashable.

The Accumulated compensated absences under the old policy will continue to be trated as such and can be encased at the time of retirement/ sepatation subjected to available leave balance after setoff leaves utilized from such accumulation.

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/gains are recognized in the statement of profit and loss in the year in which they arise.

The employees are entitled for 20 days leave during the calendar year, which can be accumulated up to 20 days. The company provides for the liability at year end on account of unavailed leave as per the actuarial valuation using the Projected Unit Credit Method with estimated average leave availment rate.

**2.15 Contributed equity**

Equity shares are classified as equity share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.16 Earnings Per Share**

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit or loss for the year after deducting preference dividends and any attributable tax thereto for the year. The weighted average number of equity shares outstanding during the year and for all the years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

**2.17 Segment Reporting**

The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Unallocated items include general corporate income and expense items, which are not allocated to any business segment.

**2.18 Rounding off amounts**

All amounts disclosed in financial statements and notes have been rounded off to the nearest thousands as per requirement of Schedule III of the Act, unless otherwise stated.

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**2.19 Standards (including amendments) issued but not yet effective**

**(a) Standards issued but not yet effective**

On March 30, 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying amendments to following standards. These amendments maintain convergence with IFRS by incorporating amendments issued by the International Accounting Standards Board (IASB) into IndAS. The amendments are applicable to the company from 1 April 2019.

**Ind AS 116, Accounting for Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, except short-term leases and leases for low-value items, under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting largely unchanged from the existing standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options.

**Amendments to existing Ind AS:**

The following amendments to existing standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

1. Amendment to Ind AS 12 Income Taxes
2. Amendment to Ind AS 19 Employee Benefits
3. Amendment to Ind AS 23 Borrowing Costs
4. Amendment to Ind AS 28 Investments in Associate and Joint Ventures
5. Amendment to Ind AS 103 Business Combinations
6. Amendment to Ind AS 109 Financial Instruments
7. Amendment to Ind AS 111 Joint Arrangements

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## 3 (a) Property, plant and equipment

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Leasehold improvements | Furniture and fixtures | Vehicles | Electrical & Office Equipment | Computer equipment | Total |
|---|---|---|---|---|---|---|
| **Balance at April 1, 2017** | **101.12** | **84.66** | **0.04** | **254.03** | **523.98** | **963.83** |
| Additions during the year | - | - | - | 13.96 | 69.13 | 83.08 |
| Disposals for the year | - | - | - | - | 0.82 | 0.82 |
| **Balance as at March 31, 2018** | **101.12** | **84.66** | **0.04** | **267.99** | **592.29** | **1,046.10** |
| Additions during the year | 9.82 | 0.49 | - | 64.17 | 61.01 | 135.50 |
| Disposals for the year | - | - | - | 0.50 | - | 0.50 |
| **Balance as at March 31, 2019** | **110.95** | **85.15** | **0.04** | **331.66** | **653.30** | **1,181.10** |
| | | | | | | |
| **Accumulated depreciation*** | | | | | | |
| **Balance at April 1, 2017** | **18.96** | **12.45** | - | **73.11** | **144.59** | **249.10** |
| Depreciation for the year | 22.64 | 12.19 | | 65.03 | 146.41 | 246.27 |
| Accumulated depreciation on deletions | - | - | - | - | 0.31 | 0.31 |
| **Balance as at March 31, 2018** | **41.60** | **24.64** | - | **138.13** | **290.69** | **495.06** |
| Depreciation for the year | 23.63 | 10.89 | - | 68.07 | 126.63 | 229.22 |
| Accumulated depreciation on deletions | - | - | - | 0.33 | - | 0.33 |
| **Balance as at March 31, 2019** | **65.22** | **35.53** | - | **205.88** | **417.32** | **723.95** |
| | | | | | | |
| **Net carrying amount** | | | | | | |
| **As at March 31, 2019** | **45.72** | **49.62** | **0.04** | **125.78** | **235.98** | **457.15** |
| **As at March 31, 2018** | **59.52** | **60.02** | **0.04** | **129.85** | **301.60** | **551.04** |

## 3 (b) Other intangible assets

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Other software licenses | Total | Intangible assets under development |
|---|---|---|---|
| **Balance at April 1, 2017** | - | - | - |
| Additions during the year | - | - | - |
| Disposals for the year | - | - | - |
| **Balance as at March 31, 2018** | - | - | - |
| Additions during the year | 99.77 | 99.77 | 448.53 |
| Disposals for the year | - | - | - |
| **Balance as at March 31, 2019** | **99.77** | **99.77** | **448.53** |
| | | | |
| **Accumulated depreciation** | | | |
| **Balance at April 1, 2017** | - | - | - |
| Depreciation for the year | - | - | - |
| Accumulated depreciation on deletions | - | - | - |
| **Balance as at March 31, 2018** | - | - | - |
| Depreciation for the year | 21.77 | 21.77 | - |
| Accumulated depreciation on deletions | - | - | - |
| **Balance as at March 31, 2019** | **21.77** | **21.77** | - |
| | | | |
| **Net carrying amount** | | | |
| **As at March 31, 2019** | **77.99** | **77.99** | **448.53** |
| **As at March 31, 2018** | - | - | - |

* There has been no impairment losses recognised during the year or previous year.

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Notes to the financial statements for the year ended March 31, 2019

**4. Non-current loans**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 223.32 | 410.29 |
| | **223.32** | **410.29** |

**5. Other non-current financial assets**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Bank deposits (due to mature after 12 months from the reporting date) | 16.74 | 16.74 |
| | **16.74** | **16.74** |

**6. Taxes**

**A Amount recognised in profit or loss**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | For the year ended March 31, 2019 | March 31, 2018 |
|---|---|---|
| ***Current tax:*** | | |
| In respect of the current year | - | - |
| -Tax expense of foreign branches | -22.71 | -36.22 |
| ***Deferred tax:*** | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | 1,134.28 | -713.54 |
| Increase/ reduction of tax rate | - | - |
| **Income tax expense reported in the Statement of profit and loss** | **1,111.57** | **-749.77** |

**B Income tax recognised in other comprehensive income**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | For the year ended March 31, 2019 | March 31, 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | 23.65 | 112.49 |
| Tax (expense)/ benefit | 35.40 | - |
| **Net of tax** | **59.05** | **112.49** |

**C Reconciliation of effective tax rate**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | For the year ended March 31, 2019 | March 31, 2018 |
|---|---|---|
| Profit before tax | -1,381.97 | -1,288.75 |
| Carry forward of losses for the year | 1,381.97 | 1,288.75 |
| Taxable Profit | - | - |
| Tax rate | 26.00% | 26.00% |
| Taxable amount | - | - |
| **Effect of:** | | |
| Tax exempt income | - | - |
| Non-deductible expenses | - | - |
| **Effective tax rate** | **0.00%** | **0.00%** |

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Notes to the financial statements for the year ended March 31, 2019

D The following table provides the details of income tax assets and income tax liabilities

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Income tax assets (net) | 2,910.82 | 2,504.47 |
| Income tax liabilities (net) | - | - |
| **Net income tax asset at the end of the year** | **2,910.82** | **2,504.47** |

E **Deferred tax assets, net**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax asset:** | | |
| Impairment loss allowance on financial assets | 59.83 | - |
| Provision for employee benefits | 101.99 | - |
| Difference of Depreciation provided for in the books | 90.71 | - |
| Others | 35.41 | - |
| Carried forward business losses | 881.73 | - |
| **Deferred tax liabilities:** | | |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | - | - |
| **Net deferred tax assets** | **1,169.67** | - |

F **Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in INR lakhs, unless stated otherwise)*

| For the year ended 31 March 2019 | Opening balance | Recognised in profit or loss | Recognised in OCI | Closing balance |
|---|---|---|---|---|
| **Gross deferred tax liability** | - | - | - | - |
| **Deferred tax assets on:** | | | | |
| Impairment loss allowance on financial assets | - | 59.83 | - | 59.83 |
| Provision for employee benefits | - | 101.99 | - | 101.99 |
| Provision for items allowed on payment basis in Tax | - | - | | - |
| Carried forward business losses | - | 881.73 | - | 881.73 |
| Difference of Depreciation provided for in the books | - | 90.71 | - | 90.71 |
| Others | - | - | 35.41 | 35.41 |
| **Gross deferred tax assets** | - | **1,134.26** | **35.41** | **1,169.67** |
| **Net deferred tax assets** | - | **1,134.26** | **35.41** | **1,169.67** |

*(Amount in INR lakhs, unless stated otherwise)*

| For the year ended 31 March 2018 | Opening balance | Recognised in profit or loss | Recognised in OCI | Closing balance |
|---|---|---|---|---|
| **Gross deferred tax liability** | - | - | | - |
| **Deferred tax assets on:** | | | | |
| Impairment loss allowance on financial assets | 67.82 | -67.82 | - | - |
| Provision for employee benefits | 232.74 | -232.74 | - | - |
| Provision for items allowed on payment basis in Tax | 11.83 | -11.83 | - | - |
| Carried forward business losses | 301.78 | -301.78 | - | - |
| Difference of Depreciation provided for in the books | 99.37 | -99.37 | | - |
| **Gross deferred tax assets** | **713.54** | **-713.54** | - | - |
| **Net deferred tax assets** | **713.54** | **-713.54** | - | - |

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Notes to the financial statements for the year ended March 31, 2019

## 7. Income tax assets (net)

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Income Tax Receivable | 2,910.82 | 2,504.47 |
| | **2,910.82** | **2,504.47** |

## 8. Other non current assets

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Prepaid expenses | 2.20 | 31.68 |
| | **2.20** | **31.68** |

## 9. Trade and other receivables

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Unsecured** | | |
| Considered good | 4,152.59 | 4,136.38 |
| Considered doubtful | 230.12 | 153.30 |
| | **4,382.71** | **4,289.68** |
| **Loss allowance** (refer note 31(i)) | | |
| Doubtful | -230.12 | -153.30 |
| | **-230.12** | **-153.30** |
| **Other Receivables** | | |
| Other Receivables | 11.52 | 19.90 |
| **Net trade receivables** | **4,164.11** | **4,156.29** |

All trade receivables are current.

Of the above, trade receivables from related parties are

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Trade receivables from related parties | 449.55 | 315.54 |
| Less: loss allowance | - | - |
| **Net trade receivables** | **449.55** | **315.54** |

## 10. Cash and cash equivalents

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Cash on hand | - | - |
| Balances with banks | | |
| In current accounts | 299.05 | 947.52 |
| In EEFC Accounts | 53.06 | 183.05 |
| In deposit accounts (with original maturity of less than 3 months) | - | 500.00 |
| **Cash and cash equivalents** | **352.12** | **1,630.57** |
| Bank overdraft used for cash management purpose | - | - |
| **Cash and cash equivalents in the statement of cash flow** | **352.12** | **1,630.57** |

## 11. Bank balances other than cash and cash equivalents above

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| In deposit accounts (due to mature within 12 months from the reporting date) | 15.30 | 2,514.51 |
| | **15.30** | **2,514.51** |

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Monster.com (India) Private Limited
Notes to the financial statements for the year ended March 31, 2019

12. **Current loans**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Advance given to employees | 33.84 | 47.57 |
| | **33.84** | **47.57** |

13. **Other current financial assets**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Interest accrued but not due | 7.10 | 24.90 |
| | **7.10** | **24.90** |

14. **Other current assets**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Prepaid expenses | 441.50 | 587.54 |
| Advances to creditors | 180.20 | 87.41 |
| Balances with government authorities (GST receivable) | 1,039.51 | 656.90 |
| | **1,661.21** | **1,331.85** |

15. **Equity share capital**

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Authorised** | | |
| 50,000 (March 31, 2018: 50,000) equity shares of par value of INR 10 each | 5.00 | 5.00 |
| | **5.00** | **5.00** |
| 300,000 5% Non-Cumulative Optional Convertible Redeemable Preference Shares of INR 10 each | 30.00 | 30.00 |
| | **30.00** | **30.00** |
| **Issued, subscribed and paid-up** | | |
| 50,000 (March 31, 2018: 50,000) equity shares of par value of INR 10 each, fully paid up | 5.00 | 5.00 |
| | **5.00** | **5.00** |

15.1. **Reconciliation of number of shares outstanding at the beginning and at the end of the year**

| Particulars | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR lakhs | Number of shares | Amount in INR lakhs |
| **Equity shares** | | | | |
| At the commencement of the year | 50,000 | 5.00 | 50,000 | 5.00 |
| Shares issued during the year | - | - | - | - |
| At the end of the year | **50,000** | **5.00** | **50,000** | **5.00** |

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15.2. **Rights, preferences and restrictions attached to shares**

**A) Equity shares**

The company has one class of equity shares having a par value of INR 10 per share. Each share holder is entitled to one vote per share held. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. During the current year, the amount of per share dividend recognized as distributions to equity shareholders was Nil (Previous year - Nil). In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**B) Preference shares**

Redemption of Preference Shares: During the year 2014-15, Company has redeemed 290,875 fully paid 5% Non Cummulative OCRPS at par value of INR 10/- each due to expiry of 5 years from the date of issue thereof. Preference shares are redeemed at INR 2,908,750 from the accumulated profits of the company.

15.3. **Shares held by holding company**

| Particulars | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR lakhs | Number of shares | Amount in INR lakhs |
| **Equity shares** | | | | |
| Equity shares of par value INR 10 each | | | | |
| - Quess Corp Limited | 49,994 | 5.00 | 49,994 | 5.00 |
| | **49,994** | **5.00** | **49,994** | **5.00** |

15.4. **Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Number of shares | % held | Number of shares | % held |
| **Equity shares** | | | | |
| Equity shares of par value INR 10 each | | | | |
| - Quess Corp Limited | 49,994 | 99.988% | 49,994 | 99.988% |
| | **49,994** | **99.988%** | **49,994** | **99.988%** |

16. **Other equity***

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Securities premium account (refer note 16.1) | 2,360.54 | 2,360.54 |
| Capital redemption reserve account (refer note 16.2) | 29.09 | 29.09 |
| Retained earnings | 181.77 | 452.18 |
| Other comprehensive income (refer note 16.3) | 226.75 | 167.70 |
| | **2,798.15** | **3,009.51** |

16.1. **Securities premium account**

Pursuant to the approved scheme of amalgamation effected from Apr 1, 2005 between Monster.com (India) Private Limited and Webneuron Services Limited, the accounting for amalgamation under pooling of interest method recorded was with securities premium of ₹. 236,053,729 along with carrying value of all the assets, liabilities of the transferor

16.2. **Capital redemption reserve account**

During the year 2014-15, the company has redeemed 290,875 preference shares of Rs. 10/- each fully paid. The redemption was carried out of accumulated profits of the company at the face value of ₹. 2,908,750. Accordingly, the value of redemption has been transferred from accumulated distributable profits to Capital redemption reserve.

16.3. **Other comprehensive income**

Remeasurement of the net defined benefit liability/(asset) comprises actuarial gain and losses and return on plan assets (excluding interest income).

* For detailed movement of reserves refer Statement of changes in Equity.

16.4. **Dividend**

The Company has not declared any dividend during the current year.

Monster.com (India) Private Limited Hyderabad

## 17. Non-current provisions

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Provision for gratuity (Refer Note No.41) (Unfunded) | 394.74 | 457.17 |
| Provision for compensated absences (Unfunded & Vested) (Refer Note No.41) | 95.45 | 188.99 |
| Provision for compensated absences (Unfunded & Unvested) (Refer Note No.41) | 22.84 | - |
| | **513.03** | **646.16** |

## 18. Trade payables

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Dues to micro, small and medium enterprise (Refer Note No. 38) | - | - |
| Trade payables to related parties | 67.42 | 40.87 |
| Other trade payables | 935.20 | 589.87 |
| | **1,002.62** | **630.74** |

## 19. Other current financial liabilities

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Employee Payables | 754.17 | 847.09 |
| Dues payable to others | - | 2,137.35 |
| Capital creditors | 3.57 | 2.23 |
| | **757.74** | **2,986.67** |

## 20. Current provisions

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Provision for gratuity (Refer Note No.41) (Unfunded) | 5.94 | 7.78 |
| Provision for compensated absences (Unfunded & Vested) (Refer Note No.41) | 1.61 | 3.33 |
| Provision for compensated absences (Unfunded & Unvested) (Refer Note No.41) | 7.84 | - |
| | **15.39** | **11.11** |

## 21. Other current liabilities

(Amount in INR lakhs, unless stated otherwise)

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Balances payable to government authorities | 257.12 | 288.50 |
| Advance received from customers | 18.18 | 10.08 |
| Unearned Revenue * | 4,339.73 | 4,359.49 |
| Provision for rent equalisation | 22.07 | 63.46 |
| Provision for expenses | 1,811.07 | 1,209.18 |
| | **6,448.17** | **5,930.71** |

* Unearned revenue represents the billing in excess of revenue recognized to the extent of unexpired period of the service contract (i.e., billing value corresponding to unexpired portion of the subscription/contract period for which services are yet to be availed by customers).

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## 22. Revenue from Contracts with customers

### (i) Disaggregation of revenue

Revenue disaggregation as per segment and geography has been included in segment information (Refer note 40).

### (ii) Trade Receivables and Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 4,164.11 | 4,156.29 |
| Contract assets | - | - |
| Contract liabilities | 4,339.73 | 4,359.49 |

The unbilled revenue (contract assets) primarily relate to the company's right to consideration for work completed but not billed at the reporting date.The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unearned revenue (contract liabilities) balances of Recruitment Services & Internet Advertisement Fee Services.

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Balance at the beginning of the year | 4,359.49 | 6,608.46 |
| Add: Billing made during the period (including Distribution Services) | 12,257.78 | 9,209.35 |
| Less: Revenue recognized during the period | -11,688.84 | -11,211.36 |
| Less: Contracts suspended due to uncertainity in ultimate collection | -588.70 | -246.96 |
| Closing Balance | 4,339.73 | 4,359.49 |

## 23. Revenue from operations

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Revenue from Services (net of tax): | | |
| - Income from Recruitment and Distribution Services | 11,256.47 | 10,597.55 |
| - Income from BPO Operations | 1,408.41 | 1,993.49 |
| - Income from Internet Advertisement Fee [IAF] | 432.37 | 613.81 |
| | **13,097.25** | **13,204.85** |

## 24. Other income

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Interest income on fixed deposits | 122.86 | 219.01 |
| Interest income on present valuation of financial instruments | 10.44 | 39.22 |
| Interest on tax refunds | - | 143.26 |
| Gain on sale of investment into subsidiary | - | 45.42 |
| Exchange fluctuation gain (net) | 204.98 | 221.62 |
| Sundry Balances written back | 7.21 | 2.36 |
| Interest on other deposits | 1.22 | 1.11 |
| | **346.71** | **672.00** |

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**25. Employee benefit expenses**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Salaries and wages | 5,015.42 | 6,940.37 |
| Contribution to provident and other funds | 152.51 | 248.20 |
| Expenses related to defined benefit plans (gratuity) (refer Note 41) | 107.18 | 127.15 |
| Expenses related to compensated absences (refer Note 41) | 28.47 | 53.90 |
| Staff welfare expenses | 127.99 | 250.57 |
| | **5,431.57** | **7,620.19** |

**26. Finance costs**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest expense | 2.22 | 0.62 |
| Bank & Gateway charges | 85.00 | 94.26 |
| | **87.22** | **94.88** |

**27. Other expenses**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Rent | 587.24 | 662.87 |
| Power and fuel | 176.54 | 168.81 |
| Repairs & maintenance | | |
| - buildings | 162.54 | 150.82 |
| - plant and machinery | 284.79 | 178.97 |
| - others | 28.35 | 31.53 |
| Legal and professional fees | 207.29 | 217.21 |
| Remuneration to Auditors | 15.35 | 33.35 |
| Royalty and technical fee | - | 142.73 |
| Rates and taxes | 22.14 | 38.51 |
| Printing and stationery | 29.10 | 35.08 |
| Travelling and conveyance | 277.98 | 256.59 |
| Communication expenses | 1,086.35 | 1,153.34 |
| Impairment loss allowance on trade receivables (net) | 325.64 | 256.08 |
| Insurance | 6.82 | 3.79 |
| Foreign exchange loss, net | - | 247.21 |
| Expenditure on corporate social responsibility | 2.15 | 2.50 |
| Miscellaneous expenses | 14.78 | 50.34 |
| | **3,358.44** | **3,629.73** |

**27.1. Remuneration to auditors (net of tax)**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Statutory audit fees | 10.00 | 19.00 |
| Tax audit fees | 2.00 | 4.00 |
| Others Services | 3.35 | 10.35 |
| | **15.35** | **33.35** |

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27.2. **Details of CSR expenditure**

As per Section 135 of the Companies Act, 2013, any Company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility ("CSR") activities. The areas for CSR activities are eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environment sustainability, disaster relief and rural development projects. A CSR committee has been formed by the Company as per the Act. As per calculation of CSR spent for the year FY 2018-19 u/s 135, the company is not required to spend any mandatory value. However, company has incurred the below value on voluntary basis by virtue of company's CSR policy and commitment. The funds required to be spent and funds spent during the year are explained below.

As per the CSR policy of the company, under the supervision of CSR committee, the company got estimated spent in the range of INR 10,000 to INR 250,000 towards CSR during the year 2018-19. The company had spend an amount of INR 215,000 towards committed CSR activities. The committed amount incurred is treated as an expense and hence charged to the statement of profit and loss.

(a) Gross amount qualify to be spent during financial year 2018-19 - INR Nil (Previous Year: INR Nil)

(b) Amount spent during the financial year 2018-19 - INR 215,000 (Previous year: INR 250,000)

(c) Amount spent during the financial year 2018-19 from brought forward of previous years - Nil

(d) Total amount spent in cash during the financial year 2018-19 is INR 215,000

| **Particulars** | **For the year ended** | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| Gross amount required to be spent: | | |
| i. Construction/acquisition of any asset | - | - |
| - Under control of the company for future use | | |
| - Not under control of the Company for future use | | |
| ii. On purpose other than (i) above | 2.15 | 2.50 |
| | **2.15** | **2.50** |
| b) Amount spent during the year | | |
| - In cash | 2.15 | 2.50 |
| - Yet to be paid in cash | - | - |
| **Total** | **2.15** | **2.50** |

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**28. Financial instruments - fair value and risk management**

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | March 31, 2019 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Loans | 257.16 | - | - | - |
| Trade receivables | 4,164.11 | - | - | - |
| Cash and cash equivalents including other bank balances | 367.41 | - | - | - |
| Other financial assets | 23.84 | - | - | - |
| **Total financial assets** | **4,812.52** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 1,002.62 | - | - | - |
| Other financial liabilities | 757.74 | - | - | - |
| **Total financial liabilities** | **1,760.35** | - | - | - |

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | March 31, 2018 | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Loans | 457.86 | - | - | - |
| Trade receivables | 4,156.29 | - | - | - |
| Cash and cash equivalents including other bank balances | 4,145.09 | - | - | - |
| Other financial assets | 41.64 | - | - | - |
| **Total financial assets** | **8,800.88** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 630.74 | - | - | - |
| Other financial liabilities | 2,986.67 | - | - | - |
| **Total financial liabilities** | **3,617.41** | - | - | - |

**Fair value hierarchy**

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference securities, mutual funds and debentures that have quoted price.

**Level 2**: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3**: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference securities and non convertible debentures included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

**A. Financial Assets:**

**Loans, Trade receivables, Cash and cash equivalents and other assets**: Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B. Financial Liabilities:**

**Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

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29 **Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk.

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

i) **Credit risk**

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by its customers. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral

***Expected credit loss assessment for corporate customers as at 31 March 2019 and 31 March 2018 are as follows:***

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers.

Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 270 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Provision under Expected Credit Loss method using Credit Loss Rate percentage (A) | 23.69 | 1.48 |
| Provision as per management estimate | 230.12 | 153.30 |
| Actual Provision (Higher of A or B) | 230.12 | 153.30 |

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Notes to the financial statements for the year ended March 31, 2019

**As at March 31, 2019**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 3,346.45 | 0.03% | 0.92 | No | 3,345.52 |
| Past due 1–90 days | 926.56 | 0.43% | 3.99 | No | 922.57 |
| Past due 91–180 days | 62.37 | 3.03% | 1.89 | No | 60.48 |
| Past due 181–270 days | 29.88 | 10.96% | 3.28 | No | 26.61 |
| Past due 271 - 360 days | 21.73 | 29.44% | 6.40 | No | 15.33 |
| Above 360 days | 7.22 | 100.00% | 7.22 | No | - |
| | **4,394.21** | | **23.69** | | **4,370.51** |

**As at March 31, 2018**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 3,625.96 | 0.01% | 0.23 | No | 3,625.73 |
| Past due 1–90 days | 642.07 | 0.12% | 0.79 | No | 641.28 |
| Past due 91–180 days | 41.55 | 1.11% | 0.46 | No | 41.09 |
| Past due 181–270 days | - | 16.15% | - | No | - |
| Above 270 days | - | 33.33% | - | No | - |
| | **4,309.58** | | **1.48** | | **4,308.10** |

**Movement in allowance for impairment in respect of trade receivables:**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Balance as at the beginning of the year** | **153.30** | **219.48** |
| Impairment loss allowances recognised | 325.64 | 256.08 |
| Bad Debt Written off | -248.82 | -246.96 |
| **Balance as at the end of the year** | **230.12** | **153.30** |

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually, the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2019 and March 31, 2018. The amounts are gross and undiscounted contractual cash flow and includes contractual interest payment and exclude netting arrangements:

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Carrying amount | Contractual cash flows | | | |
|---|---|---|---|---|---|
| | | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| **As at March 31, 2019** | | | | | |
| Trade payables | 1,002.62 | 1,002.62 | - | - | - |
| Other financial liabilities | 757.74 | 757.74 | - | - | - |
| **As at March 31, 2018** | | | | | |
| Trade payables | 630.74 | 630.74 | - | - | - |
| Other financial liabilities | 2,986.67 | 2,986.67 | 2,137.35 | - | - |

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iii) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) **Foreign Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company.

*Exposure to currency risk*

The summary quantitative data about the Company's exposure to currency risk as reported to management is as follows:

*INR lakhs, unless stated otherwise)*

| Particulars | Currency | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|---|
| | | Foreign currency* | Amount | Foreign currency* | Amount |
| Trade receivables | SGD | 7,80,106 | 398.15 | 15,14,067 | 754.35 |
| | PHP | 1,36,39,442 | 179.81 | 1,40,60,852 | 174.59 |
| | USD | 17,24,028 | 1,192.25 | 25,43,003 | 1,657.40 |
| | MYR | - | - | 24,76,826 | 417.78 |
| | HKD | - | - | 5,25,103 | 43.61 |
| Trade payables | SGD | - | - | 9,44,857 | 470.75 |
| | PHP | 9,09,801 | 11.99 | 4,15,663 | 5.16 |
| | USD | 76,407 | 52.84 | 4,39,023 | 286.13 |
| | MYR | 82,261 | 13.93 | 27,19,142 | 458.65 |
| | HKD | 1,99,031 | 17.53 | 2,86,981 | 23.83 |
| | SAR | 25,629 | 4.73 | 29,244 | 5.08 |
| | AED | 1,42,402 | 26.81 | 11,932 | 2.12 |

*Foreign currency values are absolute values and not rounded off to lakhs.

The following significant exchange rates have been applied

| Currency | Year end spot rate | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| SGD/INR | 51.04 | 49.82 |
| PHP/INR | 1.32 | 1.24 |
| USD/INR | 69.16 | 65.17 |
| MYR/INR | 16.94 | 16.87 |
| HKD/INR | 8.81 | 8.30 |
| SAR/INR | 18.44 | 17.38 |
| AED/INR | 18.83 | 17.74 |

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**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the foreign currencies against INR at 31 March 2018 and 31 March 2017 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | Strengthenin | Weakening | Strengthening | Weakening |
| **March 31, 2019** | | | | |
| SGD(4%) | 15.93 | -15.93 | 15.93 | -15.93 |
| PHP(5%) | 8.39 | -8.39 | 8.39 | -8.39 |
| USD(5%) | 56.97 | -56.97 | 56.97 | -56.97 |
| MYR(3%) | -0.42 | 0.42 | -0.42 | 0.42 |
| HKD(5%) | -0.88 | 0.88 | -0.88 | 0.88 |
| SAR(5%) | -0.24 | 0.24 | -0.24 | 0.24 |
| AED(5%) | -1.34 | 1.34 | -1.34 | 1.34 |
| **March 31, 2018** | | | | |
| SGD(4%) | 11.34 | -11.34 | 11.34 | -11.34 |
| PHP(5%) | 8.46 | -8.46 | 8.46 | -8.46 |
| USD(5%) | 68.56 | -68.56 | 68.56 | -68.56 |
| MYR(3%) | -1.23 | 1.23 | -1.23 | 1.23 |
| HKD(3%) | 0.59 | -0.59 | 0.59 | -0.59 |
| SAR(2%) | -0.10 | 0.10 | -0.10 | 0.10 |
| AED(2%) | -0.04 | 0.04 | -0.04 | 0.04 |

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's does not have any borrowings which exposes it to interest rate risk.

**30. Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure of the company consists of equity attributable to equity holders, comprising issued capital and retained earnings. The company does not have externally imposed capital requirements.

**31. Capital commitments**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances | - | - |
| Estimated amount of contracts remaining to be executed on non-capital account not provided for, net of advances | - | - |

**32. Contingent liabilities and commitment (to the extent not provided for)**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| a) Customer case pending against the company | - | - |
| b) Claims against the Company not acknowledged as debt | - | - |
| c) Income tax assessment | - | - |

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## 33. Earnings per share

*(Amount in INR lakhs except number of shares and per share data)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Nominal value of equity shares (INR 10 per share) | 10 | 10 |
| Net Loss after tax for the purpose of earnings per share (INR in lakhs) | -270.40 | -2,038.51 |
| Weighted average number of shares used in computing basic earnings per share | 50,000 | 50,000 |
| **Basic earnings per share (INR)** | **-540.80** | **-4,077.02** |
| Weighted average number of shares used in computing diluted earnings per share | 50,000 | 50,000 |
| **Diluted earnings per share (INR)** | **-540.80** | **-4,077.02** |

**Computation of weighted average number of shares**

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Number of equity shares outstanding at beginning of the year | 50,000 | 50,000 |
| Add: Weighted average number of equity shares issued during the year | - | - |
| Weighted average number of shares outstanding at the end of the year for computing basic earnings per share | 50,000 | 50,000 |
| Weighted average number of shares outstanding at the end of the year for computing diluted earnings per share | 50,000 | 50,000 |

## 34. Earnings in foreign currency (Receipt Basis)

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Receipts from Operations | 4,346.31 | 4,271.01 |

## 35. Expenditure in foreign currency (invoice basis)

*(Amount in INR lakhs)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Business promotion expenses | 128.05 | 149.33 |
| Legal and Professional charges | 4.94 | 19.31 |
| Internet Infrastructure Services | 627.15 | 518.52 |
| Other Operating expenses | 80.08 | 1.65 |
| Expenses incurred by Foreign Branches | 429.61 | 468.24 |
| Royalty and Technical Fee | - | 142.73 |

## 36. Leases

**Operating Leases**

The Company's significant leasing arrangement is in respect of operating lease for premises. The Company has exclusive right to cancel the lease with prior notice. The aggregate lease rents payable are charged as rent in the Profit and Loss Account.

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Payable within 1 year | 196.55 | 38.37 |
| Payable between 1-5 years | 284.07 | 1.75 |
| Payable later than 5 years | - | - |

*(Amount in INR lakhs, unless stated otherwise)*

| | | |
|---|---|---|
| Total rental expense relating to operating lease | 653.83 | 671.54 |
| - Non-cancellable | 21.18 | 79.49 |
| - Cancellable | 632.66 | 592.06 |

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Notes to the financial statements for the year ended March 31, 2019

37. **Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Holding Company | Quess Corp Limited, India |
| - Entities under common control | Coachieve Solutions Private Limited, India<br>MFX Infotech Private Limited, India<br>Aravon Services Private Limited, India<br>Brainhunter Systems Limited, Canada<br>Mindwire Systems Limited<br>Brainhunter Companies LLC, USA<br>Quess (Philippines) Corp., Philippines<br>Quess Corp (USA) Inc., USA<br>Quesscorp Holdings Pte. Ltd., Singapore<br>Quessglobal (Malaysia) Sdn. Bhd., Malaysia<br>Quess Corp Lanka (Private) Limited, Srilanka<br>Comtel Solutions Pte. Ltd., Singapore<br>Ikya Business Services (Private) Limited, India<br>MFXchange Holdings, Inc., USA<br>MFXchange US, Inc. , USA<br>MFXchange (Ireland) Limited, Ireland<br>Quess Corp Vietnam LLC, Vietnam<br>MFX Chile SpA, Chile<br>Dependo Logistics Solutions Private Limited, India<br>CentreQ Business Services Private Limited, India<br>Excelus Learning Solutions Private Limited, India<br>Inticore VJP Advance Systems Private Limited, India<br>Conneqt Business Solution Limited, India<br>Vedang Cellular Services Private Limited, India<br>Master Staffing Solutions Private Limited, India<br>Golden Star Facilities and Services Private Limited, India<br>Comtelpro Pte. Limited, Singapore<br>Comtelink Sdn. Bhd, Singapore<br>Monster.com.SG PTE Limited, Singapore<br>Monster.com HK Limited, Hong Kong<br>Agensi Pekerjaan Monster Malaysia Sdn. Bhd, Malaysia<br>Qdigi Services Limited, India<br>Greenpiece Landscapes India Private Limited, India<br>Simpliance Technologies Private Limited, India<br>Quesscorp Management Consultancies, Dubai<br>Quesscorp Manpower Supply Servcies LLC, Dubai |
| - Associates of Holding Company | Trimax Smart Infraprojects Private Limited, India<br>Terrier Security Services (India) Private Limited, India<br>Heptagon Technologies Private Limited, India<br>Quess Recruit, Inc., Philippines<br>Quess East Bengal FC Private Limited, India<br>Agency Pekerjaan Quess Recruit Sdn. Bhd., Malaysia |
| - Jointventure of Holding Company | Himmer Industrial Services (M) Sdn. Bhd., Malaysia |

**Key executive management personnel**

Mr. Abhijeet Mukherjee - Director
Mr. Manoj Jain - Director
Mr. Subrata Nag Kumar - Director
Mr. Lohit Bhatia - Director

**Monster.com (India) Private Limited**

**Notes to the financial statements for the year ended March 31, 2019**

**(ii) Related party transactions during the year**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Sale of Recruitment Solutions & IAF Services** | Quess Corp Limited | 43.35 | 23.70 |
| | Conneqt Business Solution Limited | 1.50 | - |
| **Income from BPO operations** | | | |
| **(a) Telecalling services** #1 | Monster.com SG Pte. Ltd. | 350.79 | 451.46 |
| | Agensi Pekerjaan Monster Malaysia Sdn. | 57.64 | 101.90 |
| #1 Telecalling service is remunerated at cost plus 15% markup | | | |
| **(b) Consultancy & Management support service** | Monster.com SG Pte. Ltd. | 700.00 | - |
| | Agensi Pekerjaan Monster Malaysia Sdn. | 299.98 | - |
| #3 Consultancy & Management support services are remunerated at cost plus 10% markup. | | | |
| **Receipts from Distribution of access rights (net)** | Monster.com SG Pte. Ltd. | 281.63 | 386.48 |
| | Agensi Pekerjaan Monster Malaysia Sdn. | 110.54 | 95.55 |
| | Monster.com HK Ltd. | 19.91 | 35.86 |
| **Purchase of Services** | Quess Corp Limited | 78.86 | - |
| | Conneqt Business Solution Limited | 21.92 | - |
| | Terrier Security Services (India) Private Lt | 9.70 | - |
| | Heptagon Technologies Private Limited | 1.13 | - |
| **Payment for Distribution of access rights (net)** | Monster.com SG Pte. Ltd. | 305.84 | 387.39 |
| | Agensi Pekerjaan Monster Malaysia Sdn. | 169.69 | 176.92 |
| | Monster.com HK Ltd. | 66.00 | 66.68 |

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Trade receivables (net)** | Monster.com SG Pte. Ltd. | 398.15 | 283.59 |
| | Monster.com HK Ltd. | - | 19.78 |
| | Quess Corp Limited | 18.24 | 12.17 |
| | Styracorp Management Services | 0.62 | - |
| | Qdigi Services Limited | 6.37 | - |
| **Trade payables (net)** | Agensi Pekerjaan Monster Malaysia Sdn. | 13.36 | 40.87 |
| | Monster.com HK Ltd. | 17.53 | - |
| | Terrier Security Services (India) Pvt Ltd | 9.77 | - |
| | Heptagon Technologies Private Limited | 11.[illegible]3 | - |
| | Conneqt Business Solution Limited | 23.67 | - |

**(iv) Compensation of key managerial**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Mr. Abhijeet Mukherjee (from 01-12-2018) | 44.28 | - |
| | **44.28** | - |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

38. **Dues to micro, small and medium enterprises**

Information as per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006:

In terms of the requirements of the Micro, Small and Medium Enterprises Development Act, 2006, (here after referred as "MSMED Act") the Company has continuously sought confirmations.

Based on the information available with the Company, there are no principal / interest amounts due to micro, small and medium enterprises towards supply of goods or services.

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of the year; | - | - |
| The amount of interest paid by the buyer in terms of section 16 of the MEMED Act along with the amounts of the payment made to the supplier beyond the appointed day during the year. | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act. | - | - |
| The amount of interest accrued and remaining unpaid at the end of the year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act. | - | - |

39. **Transfer pricing:**

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income-tax Act. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international as well as specified domestic transactions (if applicable) entered into with the associated enterprise during the financial year and expects such records to be in existence latest by the end of the stipulated timeline, as required by law. The Management is of the opinion that its international as well as specified domestic transactions (if any) are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expenses and that of provision for taxation.

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Monster.com (India) Private Limited ★ Hyderabad ★

**40. Segment reporting**

Based on the 'management approach' as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments. Accordingly, segment information has been presented both along business segments and geographic segments for the service offerings. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

**Reportable segment:**

The company has considered "'Business Segment" as its primary segment and "'Geographic Segment" as its secondary segment. Revenues and expenses directly attributable to segments are reported under each reportable segment. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable in business segment reporting.

**A) Business segment information**

The segments have been identified taking into account the nature of service offerings.

1. Recruitment Solutions and IAF Services: This segment comprises of services primarily relating to services relating to recruitment solutions such as Resume database access, Job Postings, distribution of access rights of third party products and services, consumer services and fee for Internet advertisement services. The revenue from this segment is earned from domestic and outside India customers (i.e., export of sales from India & sales from foreign branches to their customers).

2. BPO Services: This segment comprises of business process outsourcing activity relating to (a) tele marketing/calling service offered to certain associated enterprises of the company and (b) Web Design & IT Support Services provided to certain associated enterprises of the company. The revenue from BPO services segment is earned from outside India customers (i.e., export of services from India).

**A Business segment information for the year ended is as follows:**

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Recruitment Solutions & IAF Services | BPO Services | Total | Recruitment Solutions & IAF Services | BPO Services | Total |
| Segment revenue | 11,688.84 | 1,408.41 | 13,097.25 | 11,211.36 | 1,993.50 | 13,204.85 |
| Segment cost | 13,546.38 | 1,264.23 | 14,810.61 | 13,413.78 | 1,718.48 | 15,132.26 |
| **Segment result** | **-1,857.54** | **144.18** | **-1,713.36** | **-2,202.42** | **275.01** | **-1,927.41** |
| Other income | | | 346.71 | | | 672.00 |
| Unallocated corporate expenses | | | 15.33 | | | 33.35 |
| **Profit before taxation** | **-1,857.54** | **144.18** | **-1,381.97** | **-2,202.42** | **275.01** | **-1,288.76** |
| Taxation (Expense)/ Benefit | | | 1,111.57 | | | -749.76 |
| **Profit after taxation** | **-1,857.54** | **144.18** | **-270.41** | **-2,202.42** | **275.01** | **-2,038.52** |
| Segment asset | 7,232.86 | 116.52 | 7,349.38 | 10,467.82 | 92.26 | 10,560.09 |
| Segment liabilities | 10,829.92 | - | 10,829.92 | 12,110.45 | - | 12,110.45 |
| Capital expenditure | 235.26 | - | 235.26 | 83.08 | - | 83.08 |

**B Geographic information:**

The geographical information analyses are allocated based on the Company's country of domicile (i.e. India) and other countries. The company operations are geographically spread across India, Middle East region (includes Dubai & Kingdom of Saudi Arabia) and Philippines. In presenting the geographical information, segment revenue has been based on the geographical location of the office that made the sale and segment assets which have been based on the geographical location of the assets.

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | Revenue | | Segment assets | |
|---|---|---|---|---|
| | As at | | As at | |
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| India | 11,348.34 | 10,775.44 | 5,854.63 | 9,361.73 |
| Middle East | 1,006.43 | 1,712.29 | 340.38 | 317.23 |
| Philippines | 742.49 | 717.12 | 1,154.36 | 881.14 |
| **Total** | **13,097.26** | **13,204.85** | **7,349.37** | **10,560.10** |

**C Major customer**

None of the customers of the Company has revenue which is more than 10 % of the Company's total revenue

Monster.com (India) Private Limited * Hyderabad *

**41. Assets and liabilities relating to employee benefits**

The Company operates post-employment defined benefit plan that provide gratuity. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit.

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 400.68 | 464.95 |
| Net defined benefit liability, Compensated absences (Vested) | 97.06 | 192.32 |
| Net defined benefit liability, Compensated absences (Unvested) | 30.68 | - |
| **Total employee benefit liability** | **528.42** | **657.27** |
| Current | 15.39 | 11.11 |
| Non-current | 513.03 | 646.16 |
| | **528.42** | **657.27** |

The Company does not have any assets relating to employee benefits. For details relating to employee benefit expenses, see note 25.

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act,1972. It entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

**A Reconciliation of net defined benefit liability**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ assets and its components:

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | As at March 31, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Leave Encashment (Vested) | Leave Encashment (Unvested) | Gratuity | Leave Encashment (Vested) | Leave Encashment (Unvested) | Gratuity |
| **Reconciliation of present value of defined benefit obligation** | | | | | | |
| Obligation at the beginning of the year | 192.32 | - | 464.94 | 224.56 | - | 530.91 |
| Current service cost | 15.17 | 14.64 | 70.92 | 51.21 | - | 77.12 |
| Interest cost | 15.00 | - | 36.27 | 16.93 | - | 40.03 |
| Past service cost | - | 16.05 | - | - | - | 10.00 |
| Benefits settled | -93.26 | - | -147.80 | -86.14 | - | -80.62 |
| Actuarial (gains)/ losses recognised in other comprehensive income | | | | | | |
| - Changes in experience adjustments | -36.48 | - | -40.07 | -6.41 | - | -94.88 |
| - Changes in demographic assumptions | - | - | - | - | - | - |
| - Changes in financial assumptions | 4.31 | - | 16.42 | -7.83 | - | -17.62 |
| **Obligation at the end of the year** | **97.06** | **30.69** | **400.68** | **192.32** | **-** | **464.94** |

*(Amount in INR lakhs, unless stated otherwise)*

| Particulars | For the year ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2019 | | | March 31, 2018 | | |
| | Leave Encashment (Vested) | Leave Encashment (Unvested) | Gratuity | Leave Encashment (Vested) | Leave Encashment (Unvested) | Gratuity |
| **B (i) Expense recognised in profit or loss** | | | | | | |
| Current service cost | 15.17 | 14.64 | 70.92 | 51.21 | - | 77.12 |
| Interest cost | 15.00 | - | 36.27 | 16.93 | - | 40.03 |
| Past service cost | - | 16.05 | - | - | - | 10.00 |
| **Net gratuity cost** | **30.17** | **30.69** | **107.18** | **68.14** | **-** | **127.15** |
| **(ii) Remeasurement recognised in other comprehensive income** | | | | | | |
| Actuarial (gains) /losses on defined benefit oblig | -32.17 | - | -23.65 | -14.24 | - | -112.49 |
| | **-32.17** | **-** | **-23.65** | **-14.24** | **-** | **-112.49** |

Monster.com (India) Private Limited * Hyderabad *

| Particulars | For the year ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2019 | | | March 31, 2018 | | |
| | Leave Encashment (Vested) | Leave Encashment (Unvested) | Gratuity | Leave Encashment (Vested) | Leave Encashment (Unvested) | Gratuity |
| **C Defined benefit obligation - Benefits paid** | | | | | | |
| Actual Benefit Payments | 93.26 | - | 147.80 | 86.14 | - | 80.62 |
| **D Defined benefit obligation - Actuarial Assumptions** | | | | | | |
| Discount rate | 7.48% | 7.48% | 7.48% | 7.80% | - | 7.80% |
| Future salary growth | 8.00% | 8.00% | 8.00% | 8.00% | - | 8.00% |
| **E Defined benefit obligation - bifurcation into current & non current** | | | | | | |
| Current | 1.61 | 7.84 | 5.94 | 3.33 | - | 7.78 |
| Non-current | 95.45 | 22.84 | 394.74 | 188.99 | - | 457.17 |

**F Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

*(Amount in INR lakhs, unless stated otherwise)*

| | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | -35.92 | 39.27 | -46.41 | 50.92 |
| Future salary growth (0.5% movement) | 34.02 | -31.03 | 44.17 | -41.60 |

As per our report of even date

**For MSKA & Associates (Formerly known as MZSK & Associates)**
**Chartered Accountants**
Firm Registration No.:105047W

**Ananthakrishnan Govindan**
Partner
Membership No: 205226

Place: Hyderabad, INDIA
Date: May 08, 2019

For and on behalf of the Board of Directors
**Monster.com (India) Private Limited**
CIN: U72200TG2000PTC035617

**Abhijeet Mukherjee**
Director
DIN: 08065972

**Manoj Jain**
Director
DIN: 03275058

MSKA & Associates Hyderabad Chartered Accountants

Monster.com (India) Private Limited Hyderabad

MSKA
& Associates
Chartered Accountants

1101/B, Manjeera Trinity Corporate,
JNTU-Hitech City Road, Kukatpally,
Hyderabad-500072, Telangana, INDIA
Tel: +91 40 6814 2999

# INDEPENDENT AUDITOR'S REPORT

**To the Members of QDigi Services Limited (formerly known as HCL Computing Products Limited)**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **QDigi Services Limited (formerly known as HCL Computing Products Limited)** ("the Company"), which comprise the balance sheet as at 31st March 2019, and the statement of Profit and Loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and loss, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of 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 financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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.

We give in "Annexure A" a detailed description of Auditor's responsibilities for Audit of the Financial Statements.

**Other Matter**

(a) The Ind AS financial statements of the Company for the year ended March 31, 2018, were audited by another auditor whose report dated May 28, 2018 expressed an unmodified opinion on those statements.

(b) The comparative financial information of the company for the year ended March 31, 2018 are presented in accordance with IND AS 103 Business Combinations consequent to the acquisition

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of the company by Quess Corp Limited as stated in Note No. 43. In this regard, special purpose financial statements prepared in accordance with IND AS were audited by *Kumar Jain & Associates* as at the acquisition date i.e. April 1, 2018. The report of the aforesaid independent auditor dated February 4, 2019 expressed an unmodified audit opinion.

Our opinion is not modified in respect of these matters.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

   (f) With respect to the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

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(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, 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.

3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, no remuneration is paid by the Company to its directors and hence limits prescribed under Section 197 of the Act and the rules thereunder are not applicable.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES Hyderabad Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 02, 2019

**ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON EVEN DATE ON THE FINANCIAL STATEMENTS OF QDIGI SERVICES LIMITED (FORMERLY KNOWN AS HCL COMPUTING PRODUCTS LIMITED)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 deficiencies in internal control that we identify during our audit.

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Hyderabad
Chartered Accountants

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES Hyderabad Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 02, 2019

**ANNEXURE B TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF QDIGI SERVICES LIMITED (FORMERLY KNOWN AS HCL COMPUTING PRODUCTS LIMITED) FOR THE YEAR ENDED MARCH 31, 2019**

[Referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).

(b) All the fixed assets (Property, Plant and Equipment) have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) There are no immovable properties held in the name of the Company.

ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.

iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has not either directly or indirectly, granted any loan to any of its directors or to any other person in whom the director is interested, in accordance with the provisions of section 185 of the Act and the Company has not made investments through more than two layers of investment companies in accordance with the provisions of section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are not applicable to the Company.

v. In our opinion and according to the information and explanations given to us, there are no amounts outstanding which are in the nature of deposits as on March 31, 2019 and the Company has not accepted any deposits during the year.

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Hyderabad
Chartered Accountants

vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues applicable to it.

(b) According to the information and explanation given to us and the records of the Company examined by us, there are no dues of income tax, goods and service tax, customs duty, cess and any other statutory dues which have not been deposited on account of any dispute.

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the financial institution, bank or debenture holders.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.

x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration and hence requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act are not applicable.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177

MSKA & ASSOCIATES Hyderabad Chartered Accountants

and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.

xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES Hyderabad Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 02, 2019

**ANNEXURE C TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF QDIGI SERVICES LIMITED (FORMERLY KNOWN AS HCL COMPUTING PRODUCTS LIMITED)**

[Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

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

We have audited the internal financial controls with reference to financial statements of **QDigi Services Limited (formerly known as HCL Computing Products Limited)** ("the Company") as of March 31, 2019 in conjunction with our audit of the 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 with reference to financial statements 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 (ICAI) (the "Guidance Note"). 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 Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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Our audit involves performing procedures to obtain audit evidence about the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 with reference to financial statements.

**Meaning of Internal Financial Controls With Reference to Financial Statements**

A Company's internal financial control with reference to financial statements 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 with reference to financial statements 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 With Reference to Financial Statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may

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become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

**For MSKA & Associates**
**Chartered Accountants**
ICAI Firm Registration No. 105047W

MSKA & ASSOCIATES Hyderabad Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 02, 2019

**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
**Balance Sheet as at March 31, 2019**

*(Amount in INR, unless stated otherwise)*

| Balance Sheet | Note | As at 31 Mar 2019 | As at 31 Mar 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 26,113,399 | 26,215,526 |
| Capital work-in-progress | 3 | 243,750 | - |
| Goodwill | 4 | 184,235,457 | 184,235,457 |
| Other intangible assets | 4 | 6,109,931 | 7,637,417 |
| **Financial assets** | | | |
| (i) Non-current loans | 5 | 20,386,228 | 15,188,446 |
| (ii) Other non-current financial assets | | - | - |
| Deferred tax assets (net) | 6 | 1,855,296 | - |
| Income tax assets (net) | 7 | 9,914,761 | - |
| Other non-current assets | 8 | 1,695,869 | - |
| **Total non-current assets** | | **250,554,691** | **233,276,846** |
| **Current assets** | | | |
| Inventories | 9 | 53,977,015 | 41,480,512 |
| **Financial assets** | | | |
| (i) Trade receivables | 10 | 235,657,436 | 247,421,040 |
| (ii) Cash and cash equivalents | 11 | 107,338,934 | 1,913,047 |
| (iii) Bank balances other than cash and cash equivalents | 12 | 16,074,930 | - |
| (iv) Current loans | 13 | 2,268,758 | 4,924,475 |
| (v) Unbilled revenue | 14 | 30,251,773 | 43,176,678 |
| (vi) Other current financial assets | 15 | 622,576 | - |
| Other current assets | 16 | 26,248,808 | 986,854 |
| **Total current assets** | | **472,440,230** | **339,902,606** |
| **Total Assets** | | **722,994,921** | **573,179,452** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 17 | 50,000,000 | 1,000,000 |
| Other equity | 18 | 229,580,447 | (1,628,659) |
| **Total equity** | | **279,580,447** | **(628,659)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current Employee benefit obligations | 19 | 5,922,527 | 6,223,790 |
| **Total non-current liabilities** | | **5,922,527** | **6,223,790** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Trade payables | | | |
| a) total outstanding dues of micro enterprises and small enterprises | 20 | - | - |
| b) total outstanding dues of creditors other than micro enterprise and small enterprise | | 188,955,480 | 173,391,757 |
| (ii) Other current financial liabilities | 21 | 48,927,771 | 304,472,297 |
| Current Employee benefit obligations | 22 | 3,092,460 | 2,155,204 |
| Other current liabilities | 23 | 196,516,237 | 87,565,062 |
| **Total current liabilities** | | **437,491,948** | **567,584,320** |
| **Total Liabilities** | | **443,414,475** | **573,808,111** |
| **Total Equity and Liabilities** | | **722,994,921** | **573,179,452** |

The accompanying notes are an integral part of the financial statements.
As per our report of even date

*for* **MSKA & Associates**
Chartered Accountants
Firm's Registration No. 105047W

MSKA & ASSOCIATES ★ Hyderabad ★ Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 2, 2019

*for* and on behalf of the Board of Directors of
**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
CIN: U52100DL2012PLC238730

**Manoj Jain**
Director
DIN: 0003275058

**Srinivasan Guruprasad**
Director
DIN: 0007596207

**Abraham Mammen**
Company Secretary
PAN: AMGPM1943E

Place: Bengaluru, INDIA
Date: May 2, 2019

**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
**Statement of Profit and Loss for the year ended March 31, 2019**

*(Amount in INR, except equity share and per equity share data)*

| Statement of Profit and Loss | Note | For the year ended 31 Mar 2019 | For the year ended 31 Mar 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 24 | 1,706,765,659 | - |
| Other income | 25 | 5,487,450 | 373,000 |
| **Total income** | | **1,712,253,109** | **373,000** |
| **Expenses** | | | |
| Cost of material, stores and spare parts consumed | 26 | 966,413,319 | - |
| Employee benefit expenses | 27 | 122,423,010 | - |
| Finance costs | 28 | 9,784,580 | - |
| Depreciation and amortisation expenses | 29 | 19,290,529 | - |
| Other expenses | 30 | 612,715,774 | 1,316,000 |
| **Total expenses** | | **1,730,627,212** | **1,316,000** |
| **Profit before share of profit of equity accounted investees and income tax** | | **(18,374,103)** | **(943,000)** |
| **Profit/(Loss) before tax** | | **(18,374,103)** | **(943,000)** |
| **Tax expense** | | | |
| Current tax | | - | (7,267) |
| Deferred tax | 6 | 2,082,405 | - |
| **Total tax expenses** | | **2,082,405** | **(7,267)** |
| **Profit/(Loss) for the year** | | **(16,291,698)** | **(950,267)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains / (losses) on defined benefit plans | | 727,913 | - |
| Income tax relating to items that will not be reclassified to profit or loss | 6 | (227,109) | - |
| **Other comprehensive income for the year, net of tax** | | **500,804** | **-** |
| **Total comprehensive income for the year** | | **(15,790,894)** | **(950,267)** |
| **Earnings / (Loss) per share** | | | |
| Basic earnings /(loss) per share (INR) | 35 | (3.26) | (9.50) |
| Diluted earnings /(loss) per share (INR) | 35 | (3.26) | (9.50) |

The accompanying notes are an integral part of the financial statements.
As per our report of even date

*for* **MSKA & Associates**
Chartered Accountants
Firm's Registration No. 105047W

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

MSKA & ASSOCIATES Hyderabad Chartered Accountants

Place: Hyderabad, INDIA
Date: May 2, 2019

for and on behalf of the Board of Directors of
**Qdigi Services Limited (formerly known as HCL Computing Products Limited**
CIN: U52100DL2012PLC238730

**Manoj Jain**
Director
DIN: 0003275058

**Srinivasan Guruprasad**
Director
DIN: 0007596207

**Abraham Mammen**
Company Secretary
PAN: AMGPM1943E

Place: Bengaluru, INDIA
Date: May 2, 2019

**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
**Statement of Cash Flows for the year ended March 31, 2019**

*(Amount in INR, unless stated otherwise)*

| **Statement of cash flows** | **31 Mar 2019** | **31 Mar 2018** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss after tax | (15,790,894) | (950,267) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 19,290,529 | - |
| Finance income on present valuation of financial instruments | (586,461) | - |
| Liabilities no longer required written back | 2,498,806 | (373,000) |
| Impairment loss allowance on financial assets, net | 2,130,601 | 45,000 |
| Interest income on term deposits | (2,085,939) | - |
| Finance costs | 9,784,580 | - |
| **Operating cash flows before working capital changes** | **15,241,222** | **(1,278,267)** |
| **Changes in inventories, trade receivables and unbilled revenue** | | |
| Increase in Inventories | (12,496,504) | - |
| Decrease in Trade receivables | 9,633,003 | - |
| Decrease in Unbilled revenue | 12,924,905 | - |
| **Changes in loans, other financial assets and other assets** | | |
| Increase in Loans (non-current) | (4,611,321) | - |
| Increase in Other non-current assets | (1,695,869) | - |
| Decrease in Loans (current) | 2,655,718 | - |
| Increase in Other current assets | (25,261,954) | - |
| **Changes in trade payables and other financial liabilities** | | 804,000 |
| Increase in Trade payables | 15,563,722 | |
| Decrease in Other current financial liabilities | (255,544,526) | |
| Increase in Current provisions | 937,258 | |
| Increase in Other current liabilities | 108,951,175 | |
| Decrease in Non-current provisions | (301,264) | |
| **Cash generated from operations** | **(134,004,435)** | **(474,267)** |
| Income taxes paid, net of refund | (9,914,761) | 7,267 |
| **Net cash provided by/ (used in) operating activities (A)** | **(143,919,196)** | **(467,000)** |
| **Cash flows from investing activities** | | |
| Expenditure on property, plant and equipment and intangibles, net of sale proceeds | (17,904,667) | - |
| Bank deposits (having original maturity of more than three months) | (16,074,930) | - |
| Liabilities and provisions reversed | (2,498,806) | - |
| Interest income on term deposits | 1,463,363 | - |
| Deferred tax assets (net) | (1,855,296) | - |
| **Net cash used in investing activities (B)** | **(36,870,336)** | - |
| **Cash flows from financing activities** | | |
| Corporate guarantee received | 2,000,000 | - |
| Repayment of loan from related parties | (296,800,000) | - |
| Proceeds from issue of equity shares, net of issue expenses | 294,000,000 | - |
| Loans from related parties | 296,800,000 | - |
| Interest paid | (9,784,580) | - |
| **Net cash provided by financing activities (C)** | **286,215,420** | - |
| Net increase in cash and cash equivalents (A+B+C) | 105,425,887 | (467,000) |
| Cash and cash equivalents at the beginning of the period | 1,913,047 | 2,380,047 |
| **Cash and cash equivalents at the end of the year (refer note 11)** | **107,338,934** | **1,913,047** |

The accompanying notes are an integral part of the financial statements.
As per our report of even date

*for* **MSKA & Associates**
Chartered Accountants
Firm's Registration No. 105047W

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 2, 2019

MSKA & ASSOCIATES Hyderabad Chartered Accountants

*for* and on behalf of the Board of Directors of
**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
CIN: U52100DL2012PLC238730

**Manoj Jain**
Director
DIN: 0003275058

**Srinivasan Guruprasad**
Director
DIN: 00075966207

**Abraham Mammen**
Company Secretary
PAN: AMGPM1943E

Place: Bengaluru, INDIA
Date: May 2, 2019

**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
**Statement of Changes in Equity for the year ended 31 March 2019**

*(Amount in INR, unless stated otherwise)*

| (A) Equity share capital | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Opening balance | 1,000,000 | 1,000,000 |
| Changes in equity share capital | 49,000,000 | - |
| **Closing balance (refer note 17)** | **50,000,000** | **1,000,000** |

**(B) Other equity**

*(Amount in INR, unless stated otherwise)*

| Particulars | Other equity | | | | Total equity attributable to equity holders of the Company |
|---|---|---|---|---|---|
| | Reserves and Surplus | | Corporate guarantee | Other items of other Comprehensive Income | |
| | Securities premium | Retained earnings | | Remeasurements of defined benefit liability | |
| **Balance as of 1 April 2018** | - | (1,628,659) | - | - | (1,628,659) |
| Add: Issue of equity shares | - | - | - | - | - |
| Add: Premium received on issue of equity shares | 245,000,000 | - | - | - | 245,000,000 |
| Add: Profit for the year | - | (16,291,698) | - | - | (16,291,698) |
| Add:Corporate guarantee received from Quess Corp Ltd. | - | - | 2,000,000 | - | 2,000,000 |
| Add: Other comprehensive income (net of tax) | - | - | - | 500,804 | 500,804 |
| **Balance as of 31 March 2019 (refer note 18)** | **245,000,000** | **(17,920,357)** | **2,000,000** | **500,804** | **229,580,447** |

The notes referred to above form an integral part of financial statements.
As per our report of even date

*for* **MSKA & Associates**
Chartered Accountants
Firm's Registration No. 105047W

MSKA & ASSOCIATES Hyderabad Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 2, 2019

*for* and on behalf of Board of Directors of
**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**

**Manoj Jain**
Director
DIN: 0003275058

**Srinivasan Guruprasad**
Director
DIN: 0007596207

**Abraham Mammen**
Company Secretary
PAN: AMGPM1943E

Place: Bengaluru, INDIA
Date: May 2, 2019

**QDigi Services Limited** (formerly known as HCL Computing Products Limited)
**Notes to the financial statements for the year ended March 31, 2019**

**1. Company overview**

QDigi Services Limited (formerly known as HCL Computing Products Limited) ("Qdigi" or "the Company"), is a public limited company incorporated and domiciled in India. The registered office of the Company is located at New Delhi, India. Quess Corp Limited acquired Qdigi from HCL Infosystems Limited in April 2018. The Company is in the business of providing after-sales services for consumer products like mobile phones, electronics and durables with an extensive service network across India comprising of its own walk-in-centers and authorised service providers.

**2. Basis of preparation**

**2.1 Statement of compliance**

The financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), the provisions of the Companies Act, 2013 ("Act") (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company's Ind AS financial statements are approved for issue by the Company's Board of Directors on 2 May 2019.

The Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the functional currency of the Company.

**2.2 Basis of measurement and significant accounting policies**

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO").

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the rendering of service and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and noncurrent classification of assets and liabilities.

**2.3 Use of estimates and judgement**

Preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

i. ***Income taxes:*** Significant judgements are involved in determining provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

ii. ***Measurement of defined benefit obligations:*** The cost of the defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

iii. ***Impairment of financial assets:*** The Company assesses on a forward looking basis the expected credit losses associated with financial assets carried at amortised cost.

iv. ***Property, plant and equipment and Intangible assets:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

v. ***Business combinations:*** Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets (such as brands, customer contracts and customer relationships). These valuations are conducted by independent valuation experts.

**Basis of measurement and significant accounting policies (continued)**

vi. ***Other estimates:*** The impairment of non-financial assets involves key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets.

**2.4 Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**2.5 Functional and presentation currency**

Items included in the Ind AS financial statements of Company are measured using the currency of the primary economic environment in which the entities operate (i.e. the "functional currency").

**2.6 Property, plant and equipment**

**i) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'

**ii) Depreciation**

Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognized in the statement of profit and loss. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of). The Company has estimated the useful lives for property, plant and equipment as follows:

**Basis of measurement and significant accounting policies (continued)**

| Asset category | Estimated useful life for 31 March 2019 |
|---|---|
| Plant and machinery | 5 years |
| Computer equipment | 3 years |
| Furniture and Fixtures | 5 years |
| Office equipment | 5 years |

Leasehold improvements are depreciated over the lease term or estimated useful life whichever is lower.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

### 2.7 Goodwill and other intangible assets

#### (i) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized and is carried at cost less accumulated impairment losses. For measurement of goodwill that arises on a business combination refer note 43. Subsequent measurement of goodwill that arises on business combination is at carrying cost less any accumulated impairment losses.

#### (ii) Other intangible assets

*Customer Relationships*

Customer relationships acquired as part of acquisitions of businesses are capitalised as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company. Such intangible assets are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

*Others*

Other intangible assets such as computer software is initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### (iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognised in the statement of profit and loss as and when incurred.

#### (iv) Amortisation

Goodwill is not amortised and is tested for impairment annually. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation expenses in the statement of profit and loss. .

The estimated useful lives of intangible assets are as follows:

| Asset category | Estimated useful life for 31 March 2019 |
|---|---|
| Software (owned) | 3 years |
| Customer relationships | 5 years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

### 2.8 Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit ("CGU") to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash generating units (CGU) or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised in net profit in the statement of profit and loss and is not reversed in the subsequent period.

**2.9 Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**2.10 Inventories**

Inventories (stores and spares) which comprise of electronic components are valued at the lower of cost and net realizable value. Cost of inventories comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Inventories are stated net of write down or allowances on account of obsolete, damaged or slow moving items. The Company assess the obsolescence of inventory on a periodic basis.

Goods in-transit is valued inclusive of custom duty, where applicable.

**2.11 Revenue recognition**

The Company adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expect to receive in exchange for those products or services.

At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each product or service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised product or services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts, where the performance obligations are satisfied overtime are recognized as per the terms of the arrangement with the customers.

**Basis of measurement and significant accounting policies (continued)**

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

Refer Note 41 for disclosure related to revenue from contracts with customers.

### 2.12 Other income

Other income mostly comprises interest income on deposits and income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method.

### 2.13 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

### 2.14 Financial instruments

**a) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b) Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified and measured at

- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
  - the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii) A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
  - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

**Basis of measurement and significant accounting policies (continued)**

(iii) On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.

**b) Classification and subsequent measurement (continued)**

(iv) All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit and loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Any gain or loss on derecognition is recognised in the statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss. |

**c) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 32 (i) details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets, trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

**d) Derecognition of financial assets**

A financial asset is derecognised only when:

- the Company has transferred the rights to receive cash flows from the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

**Financial liabilities**

**Classification, subsequent measurement and gains and losses**

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss. Other financial liabilities subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit and loss. Any gain or loss is also recognized in the statement of profit and loss.

**Basis of measurement and significant accounting policies (continued)**

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.15 Employee benefits**

**(a) Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**(b) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods or encash the leave at the time of leaving the employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit Method as at the reporting date.

**(c) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. Contribution towards employees' state insurance scheme is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis which are charged to the Statement of Profit and Loss. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**(d) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the reporting date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the Statement of profit and loss does not include an expected return on plan assets. Instead net interest recognised in the Statement of profit and loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurement comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to the Statement of profit and loss in subsequent periods.

**(e) Termination benefits**

**Basis of measurement and significant accounting policies (continued)**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**2.16 Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the Statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.
- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

**2.17 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

***Onerous contract***

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

**2.18 Contingent liability**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

**2.19 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.20 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2.21 Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

**2.22 Segment reporting**

Based on the "management approach" as defined in Ind AS 108, Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along these business segments, refer note 40.

**2.23 Standards (including amendments) issued but not yet effective**

On March 30, 2019, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 116, Leases. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The effective date for adoption of Ind AS 116 is financial periods beginning on or after April 1, 2019.The Company is currently evaluating the requirements of amendments. The Company believe that the adoption of this amendment will not have a material effect on its financial statements.

**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
**Notes to the financial statements for the year ended 31 March 2019**

**3 Property, plant and equipment and Capital work-in-progress** *(Amount in INR, unless stated otherwise)*

| Particulars | Leasehold improvements | Furniture and fixtures | Office equipment | Plant and machinery | Computer equipment | Total Property, Plant and Equipment | Capital work-in-progress |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | |
| Additions through Business combination | 7,415,985 | 7,011,904 | 3,693,330 | 3,608,954 | 4,485,354 | 26,215,526 | - |
| **Balance as at 31 March 2018** | **7,415,985** | **7,011,904** | **3,693,330** | **3,608,954** | **4,485,354** | **26,215,526** | **-** |
| Balance as at 1 April 2018 | 7,415,985 | 7,011,904 | 3,693,330 | 3,608,954 | 4,485,354 | 26,215,526 | - |
| Addition | 7,867,186 | 1,695,942 | 3,810,261 | 60,880 | 4,607,285 | 18,041,554 | 243,750 |
| Disposals | (4,802,929) | (1,328,396) | (249,317) | (1,107,261) | (149,309) | (7,637,213) | - |
| **Balance as at 31 March 2019** | **10,480,242** | **7,379,450** | **7,254,274** | **2,562,573** | **8,943,330** | **36,619,867** | **243,750** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Depriciation for the year | 7,204,965 | 2,802,742 | 1,870,027 | 1,588,387 | 4,296,921 | 17,763,043 | - |
| Disposals | (4,613,348) | (1,223,091) | (218,742) | (1,061,670) | (139,722) | (7,256,573) | - |
| **Closing accumulated depreciation as at 31 Mar 2019** | **2,591,617** | **1,579,651** | **1,651,285** | **526,717** | **4,157,199** | **10,506,470** | **-** |
| **Net Carrying amount** | | | | | | | |
| **As at 31 Mar 2019** | **7,888,625** | **5,799,799** | **5,602,989** | **2,035,856** | **4,786,131** | **26,113,399** | **243,750** |
| **As at 31 Mar 2018** | **7,415,985** | **7,011,904** | **3,693,330** | **3,608,954** | **4,485,354** | **26,215,526** | **-** |

**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
**Notes to the financial statements for the year ended 31 March 2019**

**4 Intangible assets and Intangible assets under development** *(Amount in INR, unless stated otherwise)*

| Particulars | Goodwill | Customer Relationships | Total |
|---|---|---|---|
| Additions through business combination | 184,235,457 | 7,637,414 | 191,872,874 |
| **Balance as at 31 March 2018** | **184,235,457** | **7,637,414** | **191,872,874** |
| Opening Balance | 184,235,457 | 7,637,414 | 191,872,874 |
| **Balance as at 31 March 2019** | **184,235,457** | **7,637,414** | **191,872,874** |
| Depreciation for the year | - | 1,527,483 | 1,527,486 |
| **Closing accumulated depreciation as at 31 Mar 2019** | **-** | **1,527,483** | **1,527,486** |
| | | | |
| **Net Carrying amount** | | | |
| **As at 31 Mar 2019** | **184,235,457** | **6,109,931** | **190,345,388** |
| **As at 31 Mar 2018** | **184,235,457** | **7,637,414** | **191,872,874** |

## 5 Non current loans

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 20,386,228 | 15,086,265 |
| Loans to employees | - | 102,181 |
| | **20,386,228** | **15,188,446** |

## 6 Deferred tax assets (net)

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax asset:** | | |
| Impairment loss allowance on financial assets | 711,280 | - |
| Provision on employee benefits - Gratuity | 70,455 | - |
| Provision on employee benefits - Compensated absences | 384,815 | - |
| Bonus and Commission | 2,068,771 | - |
| Property Plant and Equipment | 14,350,859 | |
| **Deferred tax liability:** | | |
| Intangibles - Customer Relationship | (127,484) | |
| Intangibles - Goodwill on Business Combination | (15,376,291) | |
| Other comprehensive income | (227,109) | |
| **Net deferred tax assets** | **1,855,296** | - |

The movement of deferred tax aggregating Rs. 1,855,296 for the year ended 31 March 2019 (previous year ; Nil) comprises of Rs. 2,082,405 (previous year: Nil ) charged to profit and loss account and Rs. 227,109 (previous year; Nil) lakhs credited to other comprehensive income.

### A Amount recognised in profit or loss

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| *Current tax:* | | |
| In respect of the current period | - | - |
| Excess provision related to prior years | - | - |
| *Deferred tax:* | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | 2,082,405 | - |
| Increase/ reduction of tax rate | - | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **2,082,405** | - |

### B Income tax recognised in other comprehensive income

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | 727,913 | - |
| Tax (expense)/ benefit | (227,109) | - |
| **Net of tax** | **500,804** | - |

**C There is no amount recognised directly in equity.**

**D Since the company is making tax losses, there will be no effective tax rate disclosure for the same.**

**E The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018**

**Non-current tax assets (net)**

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 9,914,761 | - |
| Income tax liabilities | - | - |
| **Net income tax assets at the end of the year** | **9,914,761** | **-** |

There is no current tax asset hence not disclosed separately.

**F Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in INR, unless stated otherwise)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Impairment loss allowance on financial assets | - | - | 711,280 | - | 711,280 |
| Provision for employee benefits | - | - | 455,270 | (227,109) | 228,161 |
| Provision for bonus | - | - | 2,068,771 | - | 2,068,771 |
| Fixed assets | - | - | 14,350,859 | - | 14,350,859 |
| | **-** | **-** | **17,586,180** | **(227,109)** | **17,359,071** |
| **Deferred tax liabilities:** | | | | | |
| Customer relationships | - | - | 127,484 | - | 127,484 |
| Goodwill on Business Combination | - | - | 15,376,291 | - | 15,376,291 |
| | **-** | **-** | **15,503,775** | **-** | **15,503,775** |
| **Deferred tax assets/(liabilities)** | **-** | **-** | **2,082,405** | **(227,109)** | **1,855,296** |

The Company in the previous year has not recognised any deferred tax asset in the absence of probable certainty hence the same in not disclosed.

**7 Income tax assets (net)**

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| TDS Receivable | 9,914,761 | - |
| | **9,914,761** | **-** |

**8 Other non-current assets**

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Unsecured, considered good*** | | |
| Prepaid expenses | 1,695,869 | - |
| | **1,695,869** | **-** |

**9 Inventories**

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Valued at lower of cost and net realizable value*** | | |
| Stores and spares | 53,977,015 | 41,480,512 |
| | **53,977,015** | **41,480,512** |

## 10 Trade receivables

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Unsecured** | | |
| Considered good# | 235,657,436 | 247,361,035 |
| Considered doubtful | 4,320,234 | 2,249,638 |
| | **239,977,670** | **249,610,673** |
| **Less: Allowance for bad and doubtful debts** | | |
| Unsecured, considered good | (659,817) | - |
| Unsecured, considered doubtful | (3,660,417) | (2,189,633) |
| | **(4,320,234)** | **(2,189,633)** |
| **Net trade receivables** | **235,657,436** | **247,421,040** |
| # receivable from related parties (refer note 37) | 7,058,475 | - |

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

## 11 Cash and cash equivalents

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Cash in hand | 2,289,538 | 1,607,899 |
| Balances with banks | | |
| In current accounts | 105,049,396 | 305,148 |
| **Cash and cash equivalents** | **107,338,934** | **1,913,047** |

## 12 Bank balances other than cash and cash equivalents

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In deposit accounts (with maturity for more than 3 months but less than 12 months from balance sheet | 16,074,930 | - |
| | **16,074,930** | **-** |

## 13 Current loans

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Unsecured, considered good*** | | |
| Security deposits | 1,856,145 | 4,788,840 |
| Deposits and other advances | 122,205 | 122,205 |
| Less: Unsecured, considered doubtful | (122,205) | (122,205) |
| | 1,856,145 | 4,788,840 |
| ***Other loans and advances*** | | |
| Loans to employees* | 412,613 | 128,000 |
| Capital Advances | - | 7,635 |
| | **2,268,758** | **4,924,475** |

* There is no loss allowance required to be created for loans to employees as these are in the nature of advance given to employees for operating pur

## 14 Unbilled revenue

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue | 30,251,773 | 43,176,678 |
| | **30,251,773** | **43,176,678** |

## 15 Other current financial assets

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest accrued but not due | 622,576 | - |
| | **622,576** | **-** |

## 16 Other current assets

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advances to suppliers | 8,437,031 | 381,860 |
| Other advances | - | 30,000 |
| Prepaid expenses | 2,482,796 | 574,994 |
| Balances with government authorities | 15,328,981 | - |
| | **26,248,808** | **986,854** |

## 17 Equity share capital

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 50,00,000 (31 March 2017: 1,00,000) equity shares of par value of INR 10.00 | 50,000,000 | 1,000,000 |
| | **50,000,000** | **1,000,000** |
| **Issued, subscribed and paid-up** | | |
| 50,00,000 (31 March 2018: 1,00,000) equity shares of par value of INR 10.00 | 50,000,000 | 1,000,000 |
| | **50,000,000** | **1,000,000** |

### 17.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR | Number of shares | Amount in INR |
| **Equity shares** | | | | |
| Outstanding at the beginning of the year | 100,000 | 1,000,000 | 100,000 | 1,000,000 |
| Add: Issued during the year # | 4,900,000 | 49,000,000 | - | - |
| Outstanding at the end of the year | **5,000,000** | **50,000,000** | **100,000** | **1,000,000** |

# On 1 April 2018, Quess Corp Limited (Holding company) has acquired 100% stake in the Company by subscribing to 49,00,000 shares at face value of Rs.10 and premium of Rs.50.

### 17.2 Details of share held by Holding Company and shareholders holding more than 5% shares in the Company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % held | Number of shares | % held |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| HCL Infosystem Limited | - | - | 100,000 | 100% |
| Quess Corp Limited | 5,000,000 | 100% | - | - |

### 17.3 Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. Each shareholder is entitled to one vote per share held. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**17.4** The Company has not made any buy back of shares or issued any shares for consideration other than cash, during the period of five years immediately preceding the balance sheet date.

## 18 Other equity*

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Securities premium account (refer note 18.1) | 245,000,000 | - |
| Other Equity- Corporate Guarantee (refer note 18.2) | 2,000,000 | - |
| Other comprehensive income (refer note 18.3) | 500,804 | - |
| Retained earnings | (17,920,357) | (1,628,659) |
| | **229,580,447** | **(1,628,659)** |

### 18.1 Securities premium account

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013. It pertains to 49,00,000 shares subscribed by Quess Corp Ltd. for premium of Rs 50 per share.

**18.2 Corporate guranatee**

It pertains to the Corporate guarantee given by Quess Corp Limited for cash credit facility taken from Axis Bank.

**18.3 Other comprehensive income**

Remeasurement of defined benefit liability (asset) comprises actuarial gain and losses.

* For detailed movement of reserves refer Statement of Changes in Equity.

## 19 Non-current Employee benefit obligations

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (unfunded) (refer note 39) | 4,063,830 | 6,223,790 |
| Provision for compensated absences (unfunded) | 1,858,697 | - |
| | **5,922,527** | **6,223,790** |

## 20 Trade payables

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Trade payable** | | |
| Total outstanding dues of micro enterprises and small enterprises | | |
| Total outstanding dues of creditors other than micro enterprises and small enterprises* # | 188,955,480 | 173,391,757 |
| | **188,955,480** | **173,391,757** |
| # payable to related party (refer note 37) | 24,450,537 | - |

* Based on the information available with the Company, there are no outstanding dues and payments made to any supplier of goods and services beyond the specified period under Micro, Small and Medium Enterprises Development Act, 2006 [MSMED Act]. There is no interest payable or paid to any suppliers under the said Act.

The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 32.

## 21 Other current financial liabilities

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Payable for acquisition of business*** | | |
| Consideration payable | 30,977,025 | 298,181,503 |
| Interest accrued and not due | 43,364 | - |
| Capital creditors | - | 295,618 |
| ***Other Payables*** | | |
| Accrued salaries and benefits | 7,907,382 | 936,866 |
| Provision for bonus and incentive | 10,000,000 | 5,058,310 |
| | **48,927,771** | **304,472,297** |

The Company's exposure to currency and liquidity risk related to other current financial liabilities is disclosed in note 32.

## 22 Current Employee benefit obligations

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (unfunded) (refer note 39) | 1,643,260 | - |
| Provision for compensated absences (unfunded) | 1,449,200 | 2,155,204 |
| | **3,092,460** | **2,155,204** |

## 23 Other current liabilities

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advance received from customers | - | 764,013 |
| Balances payable to government authorities | 4,158,040 | 5,674,525 |
| Provision for expenses# | 160,465,910 | 74,870,174 |
| Security deposits - Received from Vendors | 31,892,287 | 6,256,350 |
| | **196,516,237** | **87,565,062** |
| # payable to related parties (refer note 37) | 4,647,121 | - |

## 24 Revenue from operations

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sale of services (refer note 41) | 645,038,528 | - |
| Sale of goods (refer note 41) | 1,061,727,131 | - |
| | **1,706,765,659** | - |

## 25 Other income

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest income on deposits with banks | 2,085,939 | - |
| Interest income under the effective interest method on: | | |
| Interest income on present valuation of financial instruments | 586,461 | - |
| Foreign exchange gain | 147,968 | - |
| Liabilities and provisions reversed | 2,498,806 | 373,000 |
| Miscellaneous income | 168,276 | - |
| | **5,487,450** | **373,000** |

## 26 Cost of material and stores and spare parts consumed

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Inventory at the beginning of the year | 41,480,512 | - |
| Add: Purchases | 978,909,822 | - |
| Less: Inventory at the end of the year | 53,977,015 | - |
| **Cost of materials and stores and spare parts consumed** | **966,413,319** | - |

## 27 Employee benefits expense

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and wages | 104,226,433 | - |
| Contribution to provident and other funds | 4,249,510 | - |
| Expenses related to post-employment defined benefit plan (refer note 39) | 1,340,139 | - |
| Expenses related to compensated absences | 1,152,693 | - |
| Staff welfare expenses | 11,454,234 | - |
| | **122,423,010** | - |

## 28 Finance costs

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest expense on financial liabilities at amortised cost | 5,138,688 | - |
| Interest paid to related party | 1,436,795 | - |
| Other borrowing costs | 3,209,097 | - |
| | **9,784,580** | - |

## 29 Depreciation and amortisation expense

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 17,763,043 | - |
| Amortisation of intangible assets (refer note 4) | 1,527,486 | - |
| | **19,290,529** | - |

## 30 Other expenses

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sub-contractor charges | 371,142,631 | - |
| Rent (refer note 38) | 120,248,503 | - |
| Power and Fuel | 16,660,578 | - |
| Repairs & maintenance | | |
| - buildings | 23,081,606 | - |
| - security charges of building | 19,131,028 | - |
| - plant and machinery | 4,786,307 | - |
| - others | 255,908 | - |
| Auditors' Remuneration (refer note 30.1) | 900,000 | - |
| Legal and professional fees | 13,194,756 | 263,000 |
| Rates and taxes | 158,311 | 609,000 |
| Printing and stationery | 5,897,155 | - |
| Stores and tools consumed | 4,877,533 | - |
| Travelling and conveyance | 3,350,869 | - |
| Communication expenses | 18,155,278 | - |
| Impairment loss allowance on financial assets, net [refer note 32(i)] | 2,130,601 | - |
| Equipment hire charges | 2,047,769 | - |
| Bank charges | 5,998,504 | 399,000 |
| Miscellaneous expenses | 698,438 | 45,000 |
| | **612,715,774** | **1,316,000** |

### 30.1 Remuneration to auditors (net of goods and services tax)

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory Audit | 750,000 | - |
| Tax Audit | 150,000 | - |

## 31 Financial instruments - fair value and risk management

**Financial instruments by category** *(Amount in INR, unless stated otherwise)*

| Particulars | Note | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|---|
| | | FVTPL | FVTOCI | Amortised Cost | FVTPL | FVTOCI | Amortised Cost |
| **Financial assets:** | | | | | | | |
| Loans | 5 and 13 | - | - | 22,654,986 | - | - | 20,112,921 |
| Trade receivables | 10 | - | - | 235,657,436 | - | - | 247,421,040 |
| Cash and cash equivalents including other bank balances | 11 and 12 | - | - | 123,413,864 | - | - | 1,913,047 |
| Unbilled revenue | 14 | - | - | 30,251,773 | - | - | 43,176,678 |
| Other financial assets | 15 | - | - | 622,576 | - | - | - |
| **Total financial assets** | | - | - | 412,600,635 | - | - | 312,623,686 |
| **Financial liabilities:** | | | | | | | |
| Trade payables | 20 | - | - | 188,955,480 | - | - | 173,391,757 |
| Other financial liabilities | 21 | - | - | 48,927,771 | - | - | 304,472,297 |
| **Total financial liabilities** | | - | - | 237,883,250 | - | - | 477,864,054 |

**Accounting classification and fair value**
The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**
The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:
a) recognised and measured at fair value
b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**Fair value hierarchy**
**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.
**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Company is disclosing all the financial assets and liabilities at carrying value and the Company does not have any financial instrument like investment in equity shares, preference shares, debenture, convertible loan etc. which needs to fair valued or classified to the level prescribed under the Indian Accounting Standard.

## 32 Financial risk management

The Company has exposure to the following risks arising from financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

### i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

Credit risk on cash and cash equivalents and other bank balances and bank deposits is limited as the Company generally invests in deposits with banks with high credit ratings assigned by domestic credit rating agencies. The loan represents security deposits given to suppliers, employees and others. The credit risk associated with such deposits is relatively low.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade receivables***

The Company's exposure to credit risk is influenced mainly by its customers. However, the management also considers the factors that may influence the credit risk of its customer base. The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

Expected credit loss assessment for corporate customers as at 31 March 2019 are as follows:

Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are due for more than specific number of days. Loss rates are based on actual credit loss experience over the last four quarters.

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers and unbilled revenue:

**As at 31 March 2019**

*(Amount in INR, unless stated otherwise)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether trade receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 68,989,507 | 0.16% | 107,330 | No | 68,882,177 |
| 1-90 days | 150,092,441 | 0.26% | 389,035 | No | 149,703,406 |
| 91-180 days | 7,763,451 | 0.99% | 76,883 | No | 7,686,567 |
| 181-270 days | 3,991,946 | 2.17% | 86,569 | No | 3,905,377 |
| 271-360 days | 6,331,292 | 13.45% | 851,386 | No | 5,479,907 |
| Above 360 days | 2,809,031 | 100.00% | 2,809,031 | No | - |
| | **239,977,670** | | **4,320,234** | | **235,657,435** |

**As at 31 March 2018**

*(Amount in INR, unless stated otherwise)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether trade receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | - | | - | No | - |
| Past due 1–90 days | 34,600,000 | 0.28% | 97,160.31 | No | 34,502,839.69 |
| Past due 91–180 days | 193,003,815 | 0.89% | 1,718,355.65 | No | 191,285,459.40 |
| Past due 181–270 days | 22,006,858 | 1.70% | 374,116.58 | No | 21,632,741.08 |
| Above 270 days | - | | - | No | - |
| | **249,610,673** | | **2,189,633** | | **247,421,040** |

**The movement in the allowance for impairment in respect of trade receivables during the year was as follows:**

*(Amount in INR, unless stated otherwise)*

| Particulars | 31 March 2019 |
|---|---|
| **Balance as at the beginning of the year** | - |
| Additions through business combination | 2,189,633 |
| Impairment loss allowances recognised/(reversed) | 2,130,602 |
| Less: Amounts written off | - |
| **Balance as at the end of the year** | **4,320,234** |

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

**i) Financing arrangement**

The Company maintains the following line of credit:

The Company has taken cash credit facilities having interest rate of 1.5%+ 1m MCLR payable at monthly intervals. The facilities are repayable on demand and are secured primarily by way of exclusive charge on the entire current assets, both present and future, of the Company. Exclusive collateral charge on the entire movable fixed assets, both present and future, of the Company.

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

*(Amount in INR, unless stated otherwise)*

| Particulars | 31 March 2019 |
|---|---|
| Expiring within one year (cash credit) | 200,000,000 |

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019**

*(Amount in INR, unless stated otherwise)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Trade payables | 188,955,480 | 188,955,480 | - | - | - |
| Other financial liabilities | 48,927,771 | 48,927,771 | - | - | - |
| Other current liabilities | 196,516,237 | 196,516,237 | - | - | - |

**As at 31 March 2018**

*(Amount in INR, unless stated otherwise)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Trade payables | 173,391,757 | 173,391,757 | - | - | - |
| Other financial liabilities | 304,472,297 | 304,472,297 | - | - | - |
| Other current liabilities | 87,565,062 | 87,565,062 | - | - | - |

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long-term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**i) Currency risk**

The Company is not exposed to significant currency risk as the revenue and expenses are denominated only in Rupees.

**Exposure to currency risk**

The summary of quantitative data about the Company's exposure to currency risk as reported to management is as follows:

*(Amount in INR, except amount in foreign currency)*

| Particulars | Currency | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|---|
| | | Foreign currency* | Amount in Reporting Currency | Foreign currency* | Amount in Reporting Currency |
| Trade and other receivables | USD | 96,309 | 6,660,241 | - | - |

The following significant exchange rates have been applied

| Particulars | Year end spot rate | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| USD/ Reporting currency | 69.16 | - |

**Sensitivity analysis**

A reasonably possible strengthening/ (weakening) of the USD against Reporting currency at 31 March 2019 and 31 March 2018 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

*(Amount in INR, unless stated otherwise)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **31 March 2019** | | | | |
| USD (1% movement) | 66,602 | (66,602) | 44,370.52 | (44,370.52) |
| **31 March 2018** | | | | |
| USD (1% movement) | - | - | - | - |

ii) **Interest rate risk**

The Company does not have any outstanding borrowing amount as at 31 March 2019, hence the Company is not exposed to any interest rate risk.

iii) **Price risk**

**(a) Price risk exposure**

The Company does not have any investments held in mutual fund units which are classified as fair value through profit or loss in financial statements, hence the Company is not exposed to any price risk.

**33 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current borrowing, current maturities of long-term borrowings and current maturities of finance lease obligations less cash and cash equivalents.

The Company's policy is to keep the ratio below 2.50. The Company's adjusted net debt to equity ratio is as follows:

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Gross debt | 443,414,475 | 573,808,111 |
| Less: Cash and cash equivalents | 107,338,934 | 1,913,047 |
| **Adjusted net debt** | **336,075,540** | **571,895,064** |
| Total equity | 279,580,447 | (628,659) |
| Less: Effective portion of cash flow hedges and cost of hedging | | |
| **Equity** | **279,580,447** | **(628,659)** |
| **Net debt to equity ratio** | **1.20** | **(909.71)** |

**34 Capital commitments**

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 2,270,416 | - |
| | **2,270,416** | **-** |

There are no other contigent liabilities and commitments which is not provided for.

**35 Earnings per share**

*(Amount in INR except number of shares and per share data)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares (amount per share) | 10 | 10 |
| Net profit after tax for the purpose of earnings per share | (16,291,698) | (950,267) |
| Weighted average number of shares used in computing basic earnings per sh | 5,000,000 | 100,000 |
| **Basic earnings per share** | **(3.26)** | **(9.50)** |
| Weighted average number of shares used in computing diluted earnings per : | 5,000,000 | 100,000 |
| **Diluted earnings per share** | **(3.26)** | **(9.50)** |

**36 Earnings in foreign currency**

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sale of services and spares | 32,577,774 | - |
| | **32,577,774** | **-** |

**37 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Holding Company | Quess Corp Limited |
| - Entity having significant influence in the holdin | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Entity having common directors | Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 19 December 2018) |

**Key executive management personnel**

| | |
|---|---|
| Manoj Jain | Director |
| Srinivasan Guruprasad | Director |
| Lohit Bhatia | Director |
| Mangesh Gawande | Chief Executive Officer |
| Abraham Mammen | Company Secretary |

| | |
|---|---|
| - Fellow subsidiaries, associates and joint venture | Coachieve Solutions Private Limited |
| | MFX Infotech Private Limited |
| | Aravon Services Private Limited |
| | Brainhunter Systems Ltd. |
| | Mindwire Systems Ltd. |
| | Brainhunter Companies Canada Inc. |
| | Brainhunter Companies LLC |
| | Quess (Philippines) Corp. |
| | Quess Corp (USA) Inc. |
| | Quesscorp Holdings Pte Ltd |
| | Quessglobal (Malaysia) SDN. BHD. |
| | Quess Corp Lanka (Private) Limited |
| | Comtel Solutions Pte Ltd |
| | MFXchange Holdings Inc. |
| | MFXchange US, Inc. |
| | MFXchange (Ireland) Limited |
| | MFX SpA Chile |
| | Dependo Logistics Solutions Private Limited |
| | Conneqt Business Solutions Limited (Formerly known as Tata Business Support Services Private Limited) |
| | Excelus Learning Solutions Private Limited |
| | Inticore VJP Advanced Solutions Private Limited |
| | CentreQ Business Services Private Limited |
| | Vedang Cellular Services Private Limited |
| | Master Staffing Solutions Private Limited |
| | Golden Star Facilities and Services Private Limited |
| | Comtelpro Pte. Ltd |
| | Comtelink Sdn. Bhd |
| | Monster.com (India) Private Limited |
| | Monster.com.SG PTE Limited |
| | Monster.com.HK Limited |
| | Monster Malaysia SDN. BHD |
| | Greenpiece Landscapes India Private Limited |
| | Simpliance Technologies Private Limited |
| | Quesscorp Manpower Supply Servcies LLC |
| | Trimax Smart Infraprojects Private Limited |
| | Terrier Security Services (India) Private Limited |
| | Heptagon Technologies Private Limited |
| | Quess Recruit Inc. |
| | Quess East Bengal FC Private Limited |
| | Agency Pekerjaan Quess Recruit Sdn. Bhd |
| | Himmer Industrial Services (M) SDN BHD |

**(iii) Related party transactions**

*(Amount in INR, unless stated otherwise)*

| Particulars | Name of the entity | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Revenue from operations** | | | |
| | Quess Corp Limited | 6,280,838 | - |
| **Expenses incurred by Company on behalf of related party** | | | |
| | Quess Corp Limited | 2,161,951 | - |
| **Other expenses** | | | |
| | Quess Corp Limited | 23,316,118 | - |
| | Coachieve Solutions Private Limited | 93,448,645 | |
| | Monster.com (India) Private Limited | 6,335,165 | |
| | Terrier Security Services (India) Private Limited | 16,170,856 | |
| **Finance costs** | | | |
| - Interest expense | Quess Corp Limited | 1,436,795 | - |
| **Payment made by related parties on behalf of the Company** | | | |
| | Quess Corp Limited | 66,475,461 | - |
| **Availment/(repayments) of loans from related parties** | | | |
| Availment of loans from related | Quess Corp Limited | 296,800,000 | - |
| Repayment of loans from related parties | Quess Corp Limited | 296,800,000 | |

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in INR, unless stated otherwise)*

| Particulars | Name of the entity | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Trade receivables (gross of loss** | | | |
| | Quess Corp Limited | 7,058,475 | - |
| **Trade payables** | | | |
| | Quess Corp Limited | 3,557,154 | - |
| | Terrier Security Services (India) Private Limited | 7,392,249 | - |
| | Coachieve Solutions Private Limited | 12,864,366 | - |
| | Monster.com (India) Private Limited | 636,768 | - |
| **Provision for expense** | | | |
| | Quess Corp Limited | 1,499,175 | - |
| | Terrier Security Services (India) Private Limited | 2,164,725 | - |
| | Coachieve Solutions Private Limited | 983,221 | - |
| **Guarantee taken** | | | |
| | Quess Corp Limited | 400,000,000 | - |

**(v) Compensation of key managerial personnel**

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and other employee benefits to whole-time directors and executive officers * | | |
| Mangesh Gawande (CEO) | 8,069,973 | - |
| | **8,069,973** | **-** |

*Salary does not include cost of employee benefits such as gratuity and compensated absences and employee share-based payment since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

**38 Leases**

***Operating Leases***

The Company has taken on lease of service centres under operating leases. The leases typically run for a period of one to five years, with an option to renew the lease after that period. Lease payments are renegotiated at the time of renewal.

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | 119,589,268 | - |
| - Non-cancellable | - | - |
| - Cancellable | 119,589,268 | - |

**39 Assets and liabilities relating to employee benefits**

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 5,707,090 | 6,223,790 |
| Liability for compensated absences | 3,307,897 | 2,155,204 |
| **Total employee benefit liat** | **9,014,987** | **8,378,995** |
| | | |
| Current [refer note 22] | 3,092,460 | 2,155,204 |
| Non-current [refer note 19] | 5,922,527 | 6,223,790 |
| | **9,014,987** | **8,378,995** |

The Company operates the following post-employment defined benefit plans.

The Company has a defined benefit gratuity plan in India (Plan A), governed by the Payment of Gratuity Act, 1972. Plan A entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of 15 days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment)

**A Reconciliation of net defined benefit liability/ asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Reconciliation of present value of defined benefit obligation*** | | |
| Obligation at the beginning of the year | - | 6,223,790 |
| Additions through business combination | 6,223,790 | - |
| Current service cost | 920,331 | - |
| Interest cost | 419,808 | - |
| Past service cost | - | - |
| Benefit settled | (1,128,927) | - |
| Actuarial (gains)/ losses recognised in other comprehensive income | | - |
| - Changes in experience adjustments | (727,913) | - |
| - Changes in demographic assumptions | - | - |
| - Changes in financial assumptions | - | - |
| **Obligation at the end of the year** | **5,707,089** | **6,223,790** |
| | | |
| **Net defined benefit liability** | **5,707,089** | **6,223,790** |

**B i) Expense recognised in statement of profit or loss**

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 920,331 | - |
| Interest cost | 419,808 | - |
| Past service cost | - | - |
| Interest income | - | - |
| **Net gratuity cost** | **1,340,139** | **-** |

**ii) Re-measurement recognised in other comprehensive income**

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | (727,913) | - |
| Remeasurement of the net defined benefit asset | - | - |
| | **(727,913)** | **-** |

**C Defined benefit obligation - Actuarial Assumptions**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Discount rate | 6.75% | 6.75% |
| Future salary growth | 6.00% | 6.00% |
| Attrition rate | 30.00% | 30.00% |
| Average duration of defined benefit obligation (in years) | 58 | 58 |

**D Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 5,528,978 | 5,896,100 | - | - |
| Future salary growth (1% movement) | 5,890,241 | 5,529,109 | - | - |
| Attrition rate (50% movement) | 5,505,761 | 5,892,088 | - | - |

**40 Segment reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is in the business of after sales services i.e. repair and maintenance of handheld phones and consumer electronics under inwarranty and outwarranty which are covered under similar arrangements and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

## 41 Revenue from Contracts with customers

### (i) Disaggregation of revenue

The table below presents disaggregated revenues from contracts with customers by geography for the year ended 31 March 2019. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in INR, unless stated otherwise)*

| Particulars | Sale of services |
|---|---|
| **Revenues by Geography** | |
| India | 1,674,187,884 |
| Rest of the World | 32,577,774 |
| **Total** | 1,706,765,658 |

### (ii) Trade Receivables and Contract Balances

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.
Invoicing in excess of earnings are classified as unearned revenue.
Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in INR, unless stated otherwise)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 235,655,910 | 247,421,040 |
| Contract assets (Unbilled revenue) | 30,251,773 | 43,176,678 |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in INR, unless stated otherwise)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 43,176,678 |
| Add : Revenue recognized during the period | 1,706,765,658 |
| Less : Invoiced during the period | 1,719,690,563 |
| Balance at the end | 30,251,773 |

The company has not booked any unearned revenue during the current and previous year.

### (iii) Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue.
However the Company is not required to disclose the value of remaining performance obligations for
(i) contracts with an original expected duration of one year or less and
(ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis),
Since the contract has only single performance obligation of completion of service to the satisfaction of customer.

**(iv) Changes in accounting policies**

The Company has consistently applied the accounting policies to all periods presented in these financials statements, except for the change in Ind AS 115 "Revenue from contracts with customers".

Effective 1 April 2018, the Company requires to adopt Ind AS 115, and use the cumulative effect method, accordingly the cumulative effect of initially applying Ind AS 115 should be recognised in the opening equity as at 1 April 2018. However, since the Company did not have any revenue from operations there is no requirement to retrospectively restated/adjusted the comparatives. Hence, there is no impact of the adoption of Ind AS 115 on the financial statements as at 1 April 2018 .

**42 Bank Guarantees Outstanding**

(Amount in INR, unless stated otherwise)

| Particulars | As at 31 March 2019 |
|---|---|
| Apple India Private Limited | 1,000,000 |
| Mepro Technology (India) Co Private Limited | 2,000,000 |
| Samsung India Electronics Private Limited | 98,714,930 |
| Xiaomi Technology India Private Limited | 58,000,000 |
| | **159,714,930** |

**43** The Company purchased CARE business, a division of HCL Services Limited on slump sale basis which was approved by HCL Infosystems Limited (the holding Company of HCL Services Ltd) in its meeting held on 31.01.2018 and then transfer the entire shareholding of QDigi Services Limited to Quess Corp Limited for a total consideration of Rs.3,000 lacs.

Pursuant to above, HCL Services Limited has transferred CARE Business having net assets value of Rs. 1,138.47 lacs to QDigi Services Limited at a consideration of Rs.2,981 lacs. On such transfer, Rs.1,842.53 lacs, being the difference of the net assets received and the consideration paid has been transferred to goodwill.

The date of acquisition of Qdigi Services Ltd. by Quess Corp Ltd. is 1 April 2018 . However, entire shareholding of QDigi Services Limited has been transferred to Quess Corp Limited on 11.04.2018. Consequently, the comparative financial information of the company for the year ended March 31, 2018 are presented in accordance with IND AS 103 Business Combinations.

**44** Previous year figures have been regrouped/ reclassified to confirm presentation as per Ind AS as required by Schedule III of the Act.

As per our report of even date.

*for* **MSKA & Associates**
Chartered Accountants
Firm's Registration No. 105047W

MSKA & ASSOCIATES Hyderabad Chartered Accountants

**Ananthakrishnan Govindan**
Partner
Membership No. 205226

Place: Hyderabad, INDIA
Date: May 2, 2019

*for* and on behalf of the Board of Directors of
**Qdigi Services Limited (formerly known as HCL Computing Products Limited)**
CIN: U52100DL2012PLC238730

**Manoj Jain**
Director
DIN: 0003275058

**Srinivasan Guruprasad**
Director
DIN: 0007596207

**Abraham Mammen**
Company Secretary
PAN: AMGPM1943E

Place: Bengaluru, INDIA
Date: May 2, 2019

# INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**Quess East Bengal FC Pvt Ltd**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Quess East Bengal FC Pvt Ltd**("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and loss and total comprehensive income, changes in equity and its cash flows for the period ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report,but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS



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web : www.vscaglobal.com

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone financial statements or, if such disclosures are

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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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.

2) As required by Section 143 (3) of the Act, we report that;
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone AS financial statements comply with the IND AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B";and

   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, in our opinion and to the best of our information and according to the explanations given to us;

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 28 to the financial statements

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses

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iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

**Unnikrishnan Menon**
Partner
Membership number: 205703

Bengaluru
Date : 16th May 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Quess East Bengal FC Pvt Ltdof even date)

i.

a. The Company does not have any tangible fixed assets and hence reporting under this clause does not arise.

b. The Company does not have any tangiblefixed assets and hence reporting under this clause does not arise.

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. As explained to us and according to information and explanations given to us the inventories were physically verified during the year by themanagement at reasonable intervals and no material discrepancies were noticed on physical verification.

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii.

a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities.

As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months

b. According to the information and explanations given to us, there are nomaterial dues ofincome-tax, goods and service tax,cess and other statutory dues which have not been deposited with the appropriate authorities on account of any dispute

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viii. The company does not have any loans or borrowings from any financial institution, banks, government or debenture holder during the year. Consequently, comment on clause (viii) of the Order is not applicable);

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act, is not applicable. Consequently, comment on clause (xi) of the order is not applicable

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has made preferential allotment of shares (Refer note 9.1) for which the provisions of Companies Act, 2013 has been complied with and the amount raised has been used for the purpose for which the funds were raised.

xv. According to the information and explanations given to us, the Company has entered into non-cash transactions with four directors (refer note 9.3 of standalone financial statements), which in our opinion is covered under the provisions of Section 192 of the Act, and for which all necessary compliances under section 192 of the act has been complied with.

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place:-Bengaluru
Date:- 16th May 2019

**QUESS EAST BENGAL FC PRIVATE LIMITED**
**Balance Sheet** *(Amount in Rs)*

| Particulars | Note | 31-Mar-2019 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible asset | 3 | 4,08,33,977 |
| **Financial assets** | | - |
| **Total non-current assets** | | **4,08,33,977** |
| **Current assets** | | |
| Inventories | 4 | 1,89,059 |
| **Financial assets** | | |
| (ii) Trade receivables | 5 | 1,44,08,044 |
| (iii) Cash and cash equivalents | 6 | 3,77,45,144 |
| (v) Current loans | 7 | 12,69,501 |
| Other current assets | 8 | 1,41,15,557 |
| **Total current assets** | | **6,77,27,305** |
| **Total assets** | | **10,85,61,282** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Equity share capital | 9 | 1,47,85,710 |
| Other equity | 10 | (1,79,75,496) |
| **Total equity** | | **(31,89,786)** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Provisions | 11 | 1,31,248 |
| **Total non current liabilities** | | **1,31,248** |
| **Current liabilities** | | |
| **Financial liabilities** | | |
| (i) Borrowings | 12 | 7,69,19,389 |
| (ii) Trade payables | 13 | 2,40,70,233 |
| (iii) Other current financial liabilities | 14 | 44,86,569 |
| Current provisions | 15 | 1,04,594 |
| Other current liabilities | 16 | 60,39,036 |
| **Total current liabilities** | | **11,16,19,820** |
| **Total Liabilities** | | **11,17,51,068** |
| **Total Equity and Liabilities** | | **10,85,61,282** |

*The notes referred to above form an integral part of the financial statements*
*As per our report of even date attached*

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

*for* and on behalf of Board of Directors of
**QUESS EAST BENGAL FC PRIVATE LIMITED**

| **Ajit Isaac** | **Subrata Kumar Nag** | **Sanjit Sen** |
|---|---|---|
| **Director** | **Director** | **Chief Executive officer** |
| DIN:00087168 | DIN:02234000 | |

Place: Bengaluru
Date: 16th May 2019

East Bengal FC Private Limited Kolkata

**QUESS EAST BENGAL FC PRIVATE LIMITED**
**Statement of Profit and Loss**

| Statement of profit and loss | Note | For the period from 13th July 2018-31st March 2019 |
|---|---|---|
| **Income** | | |
| Revenue from operations | 17 | 2,28,05,370 |
| **Total income** | | **2,28,05,370** |
| **Expenses** | | |
| Cost of material and stores and spare parts consumed | 18 | 2,31,556 |
| Employee benefit expenses | 19 | 71,56,142 |
| Finance costs | 20 | 27,79,798 |
| Other expenses | 21 | 15,91,84,760 |
| **Total expenses** | | **16,93,52,256** |
| | | - |
| **Profit/(loss) for the Period before tax** | | **(14,65,46,886)** |
| **Tax expense** | 22 | - |
| Current tax | 22 | - |
| Adjustments of tax relating to earlier periods | 22 | - |
| Deferred tax | 22 | |
| **Income tax expenses** | | - |
| **Profit for the period** | | **(14,65,46,886)** |
| **Other comprehensive income** | | |
| *Items that will not be reclassified to profit or loss* | | - |
| Re-measurement gains / (losses) on defined benefit plans | | - |
| Income tax relating to items that will not be reclassified to profit or loss | | - |
| *Items that will be reclassified to profit or loss* | | - |
| statements of foreign operations | | - |
| Income tax relating to items that will be reclassified to profit or loss | | |
| **Total comprehensive income for the period** | | **(14,65,46,886)** |
| **Earnings per equity share (face value of 10 each)** | | |
| Basic | | (99.11) |
| Diluted | | (99.11) |

*The notes referred to above form an integral part of the financial statements* -
*As per our report of even date attached*

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

*for* and on behalf of Board of Directors of
**QUESS EAST BENGAL FC PRIVATE LIMITED**

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Subrata Nag

| **Unnikrishnan Menon** | **Ajit Isaac** | **Subrata Kumar Nag** | **Sanjit Sen** |
|---|---|---|---|
| *Partner* | **Director** | **Director** | **Chief Executive officer** |
| Membership No. 205703 | DIN:00087168 | DIN:02234000 | |

Place: Bengaluru
Date: 16th May 2019

Quess East Bengal FC Private Limited Kolkata

**QUESS EAST BENGAL FC PRIVATE LIMITED**
**Statement of Changes in Equity for the period ended 31 March 2019**

*(Amount in Rs.)*

| Particulars | Share Capital | Other Equity | | | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|---|---|
| | | Securities Premium | Retained Earnings | Other Reserves | Other Items of Other comprehensive Income | |
| **Balance as of 1 April 2018** | - | - | - | - | - | - |
| Add:Increase in Share Capital | 1,47,85,710 | - | - | - | - | **1,47,85,710** |
| Add:Premium received on Issue of Shares | | 12,85,71,390 | - | - | - | **12,85,71,390** |
| Add: Profit for the Period | - | | (14,65,46,886) | - | - | **(14,65,46,886)** |
| Add: Fair value of financial guarantee received | - | | - | - | - | - |
| Less: Re-measurement gains / (losses) on defined benefit plans | - | | - | - | - | - |
| **Balance as of 31 March 2019** | **1,47,85,710** | **12,85,71,390** | **(14,65,46,886)** | **-** | **-** | **(31,89,786)** |

The notes referred to above form an integral part of the financial statements
As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 16th May 2019

*for* and on behalf of Board of Directors of
**QUESS EAST BENGAL FC PRIVATE LIMITED**

| | | |
|---|---|---|
| **Ajit Isaac** | **Subrata Kumar Nag** | **Sanjit Sen** |
| **Director** | **Director** | **Chief Executive officer** |
| DIN:00087168 | DIN:02234000 | |

Quess East Bengal FC Private Limited Kolkata

**QUESS EAST BENGAL FC PRIVATE LIMITED**
**Statement of Cash Flows**

| Particulars | (Amount in Rs) For the period ended 31 March 2019 |
|---|---|
| **Cash flows from operating activities** | |
| Profit before tax | (14,65,46,886) |
| **Operating cash flows before working capital changes** | **(14,65,46,886)** |
| **Changes in operating assets and liabilities** | |
| (Increase) / Decrease in inventories | (1,89,059) |
| (Increase) / Decrease in trade receivables | (1,44,08,044) |
| (Increase) / Decrease in loans | (12,69,501) |
| (Increase) / Decrease in other current assets | (1,41,15,557) |
| Increase / (Decrease) in Current Financial Liabilities | 7,69,19,389 |
| Increase / (Decrease) in trade payables | 2,40,70,233 |
| Increase / (Decrease) in other current financial liabilities | 44,86,569 |
| Increase / (Decrease) in non-current and current provisions | 2,35,842 |
| Increase / (Decrease) in other current liabilities | 60,39,036 |
| **Cash generated from operations** | **(6,47,77,979)** |
| Income taxes paid, net of refund | |
| **Net cash provided by operating activities (A)** | **(6,47,77,979)** |
| | |
| **Cash flows from financing activities** | |
| Proceeds from issue of equity shares | 10,25,23,123 |
| **Net cash provided by financing activities (C)** | **10,25,23,123** |
| | |
| Net increase in cash and cash equivalents (A+B+C) | 3,77,45,144 |
| | |
| Cash and cash equivalents at the beginning of the year | - |
| **Cash and cash equivalents at the end of the year* (refer Note 7)** | **3,77,45,144** |

As per our report of even date attached

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 16th May 2019

*for* and on behalf of Board of Directors of
**QUESS EAST BENGAL FC PRIVATE LIMITED**

| **Ajit Isaac** | **Subrata Kumar Nag** | **Sanjit Sen** |
|---|---|---|
| **Director** | **Director** | **Chief Executive officer** |
| DIN:00087168 | DIN:02234000 | |

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Quess East Bengal FC Private Limited Kolkata

Company overview and Significant accounting policies

## 1. Company overview

Quess East Bengal FC Private Limited, ('the Company') is a private limited company incorporated on 13 July 2018 and domiciled in India. The registered office of the Company is located in Kolkata, India. The Company is engaged in the business of sports and participating in sports tournaments.

### Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these Ind AS financial statements. Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

## 2. Basis of preparation

### 2.1 Statement of compliance

The company being a Associate company of M/s.Quess Corp Ltd., a company whose equity is listed in both Bombay Stock Exchange (BSE) & National Stock Exchange, (NSE). These financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), the provisions of the Companies Act, 2013 ("Act"). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The standalone Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

### 2.2 Basis of measurement and significant accounting policies

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO") and

iii. Contingent consideration in business combinations are measured at fair value.

### 2.3 Use of estimates and judgement

The preparation of the standalone financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the

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East Bengal FC Private Limited Kolkata

most significant effect on the amounts recognised in the standalone financial statements is included in the following notes:

i. ***Income taxes:*** Significant judgements are involved in determining provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

ii. ***Measurement of defined benefit obligations:*** The cost of the defined benefit obligations is based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

iii. ***Impairment of financial assets:*** The Company assesses on a forward looking basis the expected credit losses associated with financial assets carried at amortised cost.

iv. ***Property, plant and equipment and Intangible assets:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

v. ***Other estimates:*** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

vi. ***Contingent liabilities:*** Contingent liabilities are not recognized in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except, in the extremely rare circumstances where no reliable estimate can be made).

vii. ***Recognition of deferred tax assets:*** Availability of future taxable profit against which tax losses carried forward can be used.

**2.4 Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 2.5 Functional and presentation currency

Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

## 2.6 Property, plant and equipment

### i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the standalone statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the standalone statement of profit and loss when incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'

### ii)Depreciation

**Depreciation methods, estimated useful lives and residual value**

Depreciation is calculated on cost of the items of property, plant and equipment less their estimated residual values over their estimated useful lives using the Straight Line Method ('SLM'), and is recognized in the statement of profit and loss. The Management believes that the useful lives best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary.

The assets residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in progress'.

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Quess East Bengal FC Private Limited Kolkata

### 2.7. Intangible assets

Intangible assets acquired in a business combination (such as brands, customer contracts and customer relationships) are measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The amortisation of an intangible asset with a finite useful life reflects the manner in which the economic benefit is expected to be generated and is included in depreciation and amortisation expenses in the statement of profit and loss. The estimated useful life of amortisable intangibles are reviewed and where appropriate are adjusted, annually.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognised in the standalone statement of profit and loss as and when incurred.

**(iv) Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method and is included in depreciation and amortisation expenses in the standalone statement of profit and loss.

Details regarding useful life of Intangible(Sporting rights) asset in specified in Note 3

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

### 2.8 Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the standalone statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

### 2.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease

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payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**2.10 Inventories**

Inventories (raw materials and stores and spares) which comprise of Merchandise are valued at the lower of cost and net realizable value. Cost of inventories comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Inventories are stated net of write down or allowances on account of obsolete, damaged or slow moving items. The Company assess the obsolescence of inventory on a periodic basis.

**2.11 Revenue recognition**

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective from date of Incorporation

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the consideration it expects to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognized as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognized as the services are performed as per the terms of the arrangement with the customer.

Refer Note **26** for disclosure related to revenue from contracts with customers.

**Policy in case of Unbilled revenue and unearned revenue**

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

**Policy in case of Contract modifications**

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS



East Bengal FC Private Limited Kolkata

**Policy in case of variable consideration**

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled

**Policy in case of warranties**

The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

**Policy in case of cost of obtaining a contract**

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

**Policy in case of cost of fulfilling a contract**

The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

**Policy in case of significant financing component**

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

**Policy in case of Principal vs agent**

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

a) **Ticket Sales**:- Revenue from sale of match tickets recognized only on completion of matches in respect of which tickets are sold.

b) **Merchandise Sales**:- Revenues from selling merchandise items are recognized at the date of sale. Such revenue is recognized when the risks and rewards associated with the item have been transferred from the seller to the buyer and no significant uncertainty exists as regards the amount of consideration and its collection. The amount recognized as revenue net of returns, trade discounts and quantity discounts.

c) **Subsidy and Prize Money**:- Revenue from Subsidy and prize money is recognized when there is reasonable assurance of the receipt thereof on the fulfillment of applicable condition stipulated in relevant agreement.

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**2.12 Other income**

Quess East Bengal FC Private Limited Kolkata

Other income mostly comprises interest income on deposits, dividend income and gain/(loss) on disposal of financial and non-financial assets. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

### 2.13 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in standalone statement of profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the standalone statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

### 2.14Financial instruments

**a)Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b)Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

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- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii) A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(iii) On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.

(iv) All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the standalone statement of profit and loss. |
| Financial assets at Amortized Cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the standalone statement of profit and loss. Any gain or loss on derecognition is recognised in the standalone statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the standalone statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the standalone statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the standalone statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to standalone statement of profit and loss. |

**c)Impairment of financial assets**

The company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Company

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to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

**d)Derecognition of financial assets**

A financial asset is derecognised only when:
- The Company has transferred the rights to receive cash flows from the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

**Financial liabilities**

**a)Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss (FVTPL) or amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b)Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Classification, subsequent measurement and gains and losses**

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the standalone statement of profit and loss. Other financial liabilities subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the standalone statement of profit and loss. Any gain or loss is also recognized in the standalone statement of profit and loss.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated

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as hedging instruments in hedge relationships as defined by Ind AS 109. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

***Amortised cost***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
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 as finance costs in the statement of profit

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the standalone statement of profit and loss.

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.
Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.15 Employee benefits**

**(a)Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**(b) Long-term benefit plans**

The Company has a defined benefit gratuity plan governed by the Payment of Gratuity Act, 1972 which entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of 15 days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. The company has accordingly estimated the related liability on the same basis and made a Gratuity Provision as at the year end Refer Note 31

**2.16 Share based payments**

Equity instruments granted to the employees of the Company are measured by reference to the fair value of the instrument at the date of grant. The expense is recognised in the standalone statement of profit and loss with a corresponding increase to the share-based payment reserve, a component of equity. The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortisation). The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

**Amendment to Ind AS 102:**

Effective 1 April 2017, Ind AS 102 has been amended which provides specific guidance to measurement of cash-settled awards, modification of cash settled awards and awards that include a net settlement feature in respect of withholding taxes. The amendment did not have any effect on the standalone financial statements. The impact of the above stated amendment to the Company is Nil as the same is not applicable to Company.

**2.17Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the Statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognised for:

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-temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

**2.18Provisions**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

***Onerous contract***

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

**2.19Contingent liability**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

**2.20Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.21Cash flow statement**

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Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2.22Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

**2.23Segment reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The company is engaged in the business of Software Support Services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The company's management is of the opinion that the company does not have secondary segments and hence segment reporting is not applicable.

**2.24Contributed equity**

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**New Recent accounting pronouncements**

**(a) Standards issued but not yet effective**

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendment to Ind AS 115, 'Revenue from contracts with customers'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IFRS 15,' Revenue from contracts with customer' respectively. The amendment is applicable to the company from 1 January 2018.

**Ind AS 116 – Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further

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reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options to be considered.

**Amendments to existing Ind AS:**

The following amended standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

**(a) Amendment to Ind AS 12 Income Taxes: Appendix C – Uncertainty over Income Tax Treatments**

The Appendix addresses how to recognize, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

**(b) Amendments to Ind AS 109 Financial Instruments: Prepayment Features with Negative Compensation**

Under Ind AS 109, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

**(c) Amendments to Ind AS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.

**(d) Amendments to Ind AS 23 Borrowing Costs**

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

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**Statement of Profit and Loss**
**Notes to the financial statements for the period ended 31st March 2019**

## 3. Intangible assets and Intangible assets under development

| Particulars | Goodwill | Brand | Customer Relationships | Computer software | Computer software leased | Copyright and trademarks | Total |
|---|---|---|---|---|---|---|---|
| Opening Balance | - | - | - | - | - | - | - |
| Movement in Opening | - | - | - | - | - | - | - |
| Addition | - | - | - | - | - | 4,08,33,977 | 4,08,33,977 |
| Deletion | - | - | - | - | - | - | - |
| Closing | - | - | - | - | - | - | - |
| Exchange Difference | - | - | - | - | - | - | - |
| **Closing gross carrying amount at 31st March 2019** | - | - | - | - | - | **4,08,33,977** | **4,08,33,977** |
| Opening Balance | - | - | - | - | - | - | - |
| Movement in Opening | - | - | - | - | - | - | - |
| F_Opening | - | - | | - | - | - | - |
| Addition | - | - | - | - | - | - | - |
| Closing | - | - | - | - | - | - | - |
| Exchange Difference | - | - | - | - | - | - | - |
| **Closing accumulated depreciation as at 31 Mar 2019** | - | - | - | - | - | - | - |
| **Net Carrying amount** | | | | | | | |
| **As at 31 Mar 2019** | - | - | - | - | - | **4,08,33,977** | **4,08,33,977** |

*1.The company has acquired Intangible Assets in the nature of complete Sporting Rights for East Bengal football club, a Kolkata based sporting institution in existence since 1920, as per the SHA dated 5th July 2018. As the sporting right is integral to the existence of the entity and represents the core business of the company, the management is of the view that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. And accordingly as per Ind AS 38 Intangible assets, the sporting right will be tested for impairment annually.*

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Notes to the financial statements for the period ended 31st March 2019

**4 Inventories**

| Particulars | 31-Mar-19 |
|---|---|
| *Valued at lower of cost and net realizable value* | |
| Sports merchandise | 1,89,059 |
| | **1,89,059** |

**5 Trade receivables**

| Particulars | 31-Mar-19 |
|---|---|
| *Unsecured* | |
| Considered good | 1,44,08,044 |
| | **1,44,08,044** |

**6 Cash and cash equivalents**

| Particulars | 31-Mar-19 |
|---|---|
| ***Cash and cash equivalents*** | |
| In current accounts | 3,77,45,144 |
| **Cash and cash equivalents in balance sheet** | **3,77,45,144** |

**7 Current loans**

| Particulars | 31-Mar-19 |
|---|---|
| *Unsecured, considered good* | |
| Security deposits | 12,69,501 |
| | **12,69,501** |

**8 Other current assets**

| Particulars | 31-Mar-19 |
|---|---|
| Prepaid expenses | 4,50,065 |
| Balances with government authorities | 1,36,65,492 |
| | **1,41,15,557** |

**9 Share capital**

| Particulars | 31-Mar-19 |
|---|---|
| **Authorised** | |
| 20,000,000 equity shares of par value of Rs 10 each | 2,00,00,000 |
| | **2,00,00,000** |
| | |
| **Issued, subscribed and paid-up** | |
| 1478571 equity shares of par value of Rs 10 each, fully paid up | 1,47,85,710 |
| | **1,47,85,710** |
| | - |

**9.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period**

| Particulars | As at 31 March 2019 | |
|---|---|---|
| | Number of shares | Amount in Rs |
| **Equity shares** | | |
| At the commencement of the year | - | |
| Shares isued during the Period | 14,78,571 | 1,47,85,710 |
| At the end of the year | **14,78,571** | **1,47,85,710** |

**9.2 Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2019 | |
|---|---|---|
| | Number of shares | % held |
| **Equity shares** | | |
| Equity shares of par value Rs 10 each | | |
| **Quess Corp Ltd** | **10,35,000** | **70.00%** |
| **East Bengal Club(Represented by following Nominee Shareholders)** | **4,28,571** | **28.99%** |
| Pronob Dasgupta | 1,42,857 | 9.66% |
| Debabrata Sarkar | 1,42,857 | 9.66% |
| Kalyan Majumdar | 71,429 | 4.83% |
| Saikat Ganguly | 71,428 | 4.83% |
| | **14,63,571** | **98.99%** |

**9.3 Details of shares issued for consideration other than cash**

*During the year 4,28,571 shares of Face value Rs 10 have been issued for consideration (Sporting Rights) other than cash to East Bengal Club reprsented by above Nominee Shareholders.*

| Particulars | 31-Mar-19 |
|---|---|
| Securities premium account | 12,85,71,390 |
| Retained earnings | (14,65,46,886) |
| | **(1,79,75,496)** |

*For detailed movement of reserves refer Statement of changes in Equity

**11 Non-current provisions**

| Particulars | 31-Mar-19 |
|---|---|
| Provision for gratuity | 1,31,248 |
| | **1,31,248** |

**12 Current borrowings**

| Particulars | 31-Mar-19 |
|---|---|
| *Loan from related parties, unsecured** | - |
| Quess Corp Ltd | 7,69,19,389 |
| | **7,69,19,389** |

***Refer note 30 For related party disclosures***

** The company has availed short term loan from Quess Corp Limited wherein the repayment date should be not exceeding 12 months from the date of disbursement. The interest rate is charged at 10% per annum as per terms of the Agreement*

**13 Trade payables**

| Particulars | 31-Mar-19 |
|---|---|
| Dues to micro, small and medium enterprises *(Refer note 32)* | - |
| Trade payables* | 2,40,70,233 |
| | **2,40,70,233** |

*As on 31 March 2019 there are no outstanding amounts due to micro and small enterprises. There are no interests due or outstanding on the same.*

**Includes Trade Payables to Related parties(Refer Note 30)*

**14 Other current financial liabilities**

| Particulars | 31-Mar-19 |
|---|---|
| ***Other Payables*** | |
| Accrued salaries and benefits | 11,54,124 |
| Accrued expenses | 33,32,445 |
| | **44,86,569** |

**15 Current provisions**

| Particulars | 31-Mar-19 |
|---|---|
| **Provision for employee benefits** | |
| Provision for compensated absences | 1,04,594 |
| | **1,04,594** |

**16 Other current liabilities**

| Particulars | 31-Mar-19 |
|---|---|
| Balances payable to government authorities | 60,39,036 |
| | **60,39,036** |

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**17 Revenue from operations**

| Particulars | For the period from 13th July 2018-31st March 2019 |
|---|---|
| Sale of services | 2,23,54,882 |
| Sale of Goods | 4,50,488 |
| **Total** | **2,28,05,370** |

**18 Cost of material and stores and spare parts consumed**

| Particulars | For the period from 13th July 2018-31st March 2019 |
|---|---|
| Inventory at the beginning of the year | - |
| Add: Purchases | 4,20,615 |
| Less: Inventory at the end of the year | (1,89,059) |
| **Cost of materials and stores and spare parts consumed** | **2,31,556** |

**19 Employee benefits expense**

| Particulars | For the period from 13th July 2018-31st March 2019 |
|---|---|
| Salaries and wages | 67,96,072 |
| Contribution to provident and other funds | 2,39,956 |
| Expenses related to compensated absences | 1,04,594 |
| Staff welfare expenses | 15,520 |
| | **71,56,142** |

**20 Finance costs**

| Particulars | For the period from 13th July 2018-31st March 2019 |
|---|---|
| Interest expense * | 27,79,798 |
| | **27,79,798** |

*Refer Note 30*

**21 Other expenses**

| Particulars | For the period from 13th July 2018-31st March 2019 |
|---|---|
| Player and Coach fees | 9,53,23,094 |
| Travelling and conveyance | 2,51,14,306 |
| Club Operating Expenses | 2,07,55,639 |
| Transfer Fee & Commission | 89,44,823 |
| Rates and taxes | 11,73,946 |
| Rent | 31,16,360 |
| Miscellaneous expenses*(Refer Note 36)* | 34,47,542 |
| Legal and professional fees | 8,68,697 |
| Insurance | 2,26,113 |
| Business promotion and advertisement expenses | 2,14,240 |
| | **15,91,84,760** |

| ***Auditors' remuneration (net of GST; included in legal and professional fees)** | |
|---|---|
| Statutory audit | **50,000** |
| | **50,000** |

## 22 Income tax

Income Tax Assets/Liabilities in the Balance Sheet are as follows :-

| Particulars | As at 31 March 2019 |
|---|---|
| Advance income tax/(Provision for Income Tax) net | |
| | - |

A Amount recognized in Profit or Loss

| Particulars | For the period ended 31 March 2019 |
|---|---|
| *Current income tax:* | |
| In respect of the current period | - |
| Short provision of tax relating to earlier years | |
| *Deferred tax** | - |
| Origination & reversal of temporary differences | |
| Increase/Reduction of Tax rate | |
| In respect of the current period | |
| **Income tax expense reported in the statement of profit and loss** | - |

| B **Income tax recognized in Other comprehensive Income** | |
|---|---|
| Remeasurement of the net defined benefit Liability/Asset | |
| Before tax | |
| Tax (expense)/Benefit | |
| Net of Tax | - |

*The Company has not recognised deferred tax asset as per Note D as at 31st March 2019 due to absence of reasonable certainity of set-off of Unabsorbed losses against taxable Profits in foreseeable future*

C. **Reconciliation of effective tax rate**

| Particulars | Tax Rate % | For the period ended 31 March 2019 |
|---|---|---|
| Profit before tax | | (14,65,46,886) |
| Tax using company's domestic tax rate | 27.82% | (4,07,69,344) |
| **Effect of:** | | |
| Defferred tax not created because realization not probable | -27.82% | 4,07,69,344 |
| **Effective tax rate** | **0.00%** | **4,07,69,344** |
| | | - |
| **Total income tax expense** | **0.00%** | - |

The tax rates under Indian Income Tax Act, for the year ended March 31, 2019 27.82%

D **The Company has not created deferred tax assets on the following**

| Particulars | As at 31 March 2019 |
|---|---|
| Provision for Compensated absences | 29,098 |
| Provision for Gratuity | 36,513 |
| Losses available for offsetting against future Taxable Income | 4,07,03,733 |
| | **4,07,69,344** |

*The Company has not recognised deferred tax asset as at 31st March 2019 due to absence of reasonable certainity of set-off of Unabsorbed losses against taxable Profits in foreseeable future*

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Quess East Bengal FC Private Limited Kolkata

**23 Financial instruments - fair value and risk management**

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

*Amount in Rs*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-19 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | |
| **Amortised cost** | | | | |
| Trade receivable | 1,44,08,044 | - | - | - |
| Cash and cash equivalents | 3,77,45,144 | - | - | - |
| Loans | 12,69,501 | - | - | - |
| **Total financial assets** | **5,34,22,689** | - | - | - |

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | 31-Mar-19 | Level 1 | Level 2 | Level 3 |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Loans and borrowings | 7,69,19,389 | - | - | - |
| Trade payables | 2,40,70,233 | - | - | - |
| Other liabilities | 44,86,569 | - | - | - |
| **Total financial liabilities** | **10,54,76,191** | - | - | - |

**Fair value hierarchy**

**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

**Level 2**: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference shares included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

**A Financial Assets:**

1) Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

1) **Borrowings**: It includes cash credit and overdraft facilities, working capital loan and bill discounting facilities. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the loan is reset on a monthly/quarterly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

2) **Finance lease obligations:** The fair value of obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

3) **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

4) **Financial liability:** The fair value of financial liability has been determined by discounting consideration payable on commitment to sell. The probability of the estimate within the range can be reasonably assessed and are used in the management's estimates of fair value of this put option.

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Quess East Bengal FC Private Limited Kolkata

**24 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:
- Credit risk ;
- Liquidity risk ; and
- Market risk

**Risk management framework**

The Board of Directors of QUESS East Bengal FC Pvt Ltd has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base.
The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.
The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

*Refer Note 34 w.r.t ECL*

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**As at 31 March 2019**

| Particulars | Carrying amount | Contractual cash flows | |
|---|---|---|---|
| | | Less than 1 year | 1-2 years |
| Borrowings | 7,69,19,389 | 7,69,19,389 | - |
| Trade payables | 2,40,70,233 | 2,40,70,233 | - |
| Other financial liabilities | 44,86,569 | 44,86,569 | - |

**Market risk**

Market risk is the risk that changes in market prices ,will affect company's income or value of its holding of instruments.Market risk is attributable to all market risk sensitive financial instruments including payables and long term debt.Since the major Customer is primarily based in India,Company's exposure to market risk is significantly lower.

**Interest rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company borrowing as at 31st March 2019 comprises only of Loan from entity having Interest which is at a Fixed Interest rate.

**The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:-**

| Particulars | As at 31 March 2019 |
|---|---|
| Variable rate borrowings | - |

**25 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current borrowing, current maturities of long-term borrowings and current maturities of finance lease obligations less cash and cash equivalents.

**The capital structure is as follows :-**

| Particulars | As at 31 March 2019 |
|---|---|
| Gross debt | 7,69,19,389 |
| Less: Cash and cash equivalents | 3,77,45,144 |
| Adjusted net debt | 3,91,74,245 |
| Total equity | (31,89,786) |
| Less: Effective portion of cash flow hedges and cost of hedging | - |
| Total equity | (31,89,786) |
| **Net debt to equity ratio** | **(12.28)** |

## 26 Revenue from Contracts with customers

### (i) Trade Receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.Invoicing in excess of earnings if any are classified as unearned revenue.The company does have not have any Unbilled /unearned revenue as at the reporting date.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in INR lakhs)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 1,44,08,044 | - |
| Contract assets (Unbilled revenue) | - | - |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | - |

### (ii) Adoption of IND AS 115

The company has applied IND AS 115"Revenue from Contracts with Customer" effective from Date of Incorporation(13th July 2018),since the Company is in the initial year of Operation, the standard need not be applied retrospectively.Refer Note 2.11 of Standard accounting policies

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**27 Capital commitments**

| Particulars | 31 March 2019 |
|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | - |
| | - |

**28 Contingent liabilities**

| Particulars | 31 March 2019 |
|---|---|
| Claims against the company not acknowledged as Debts | 34,00,000 |

i) Pending resolution of the respective proceeding, it is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above as it is determinable only on receipt of judgements/decisions pending with various forums/ authorities. The Company is contesting the demand and the Management believes that the outcome of this proceedings will not have material adverse effect on the Company's financial position and results of operations.

ii) The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its standalone financial statements.

**29 Earnings per share**

| Particulars | 31 March 2019 |
|---|---|
| Nominal value of equity shares (amount per share) | 10 |
| Net profit after tax for the purpose of earnings per share | (14,65,46,886) |
| Weighted average number of shares used in computing basic earnings per share | 14,78,571 |
| **Basic earnings per share** | (99.11) |
| Weighted average number of shares used in computing diluted earnings per share | 14,78,571 |
| **Diluted earnings per share** | (99.11) |

**Computation of weighted average number of shares**

| Particulars | 31 March 2019 |
|---|---|
| Number of equity shares outstanding at beginning of the year | - |
| Add: Weighted average number of equity shares issued during the year | **14,78,571** |
| Weighted average number of shares outstanding at the end of year for computing basic earnings per share | **14,78,571** |
| Weighted average number of shares outstanding at the end of the year for computing diluted earnings per share | **14,78,571** |

QUESS EAST BENGAL FC PRIVATE LIMITED

Notes to the financial statements for the period ended 31 March 2019

## 30 Related party disclosures

### (i) Name of related parties and description of relationship:

| | |
|---|---|
| - Entity having Interest in the Company | Quess Corp Ltd |
| - Subsidiaries of Entity having Interest in the Company | Coachieve Solutions Private Limited |
| | MFX Infotech Private Limited |
| | Aravon Services Private Limited |
| | Brainhunter Systems Ltd. |
| | Mindwire Systems Limited |
| | Brainhunter Companies LLC, USA |
| | Quess (Philippines) Corp. |
| | Quess Corp (USA) Inc. |
| | Quesscorp Holdings Pte. Ltd. |
| | Quessglobal (Malaysia) Sdn. Bhd. |
| | Quess Corp Lanka (Private) Limited |
| | Comtel Solutions Pte. Ltd. |
| | Ikya Business Services (Private) Limited |
| | MFXchange Holdings, Inc. |
| | MFXchange US, Inc. |
| | MFXchange (Ireland) Limited |
| | Quess Corp Vietnam LLC |
| | MFX Chile SpA |
| | Dependo Logistics Solutions Private Limited |
| | CentreQ Business Services Private Limited |
| | Excelus Learning Solutions Private Limited |
| | Inticore VJP Advance Systems Private Limited |
| | Conneqt Business Solution Limited (formerly known as Tata Business Support Services |
| | Vedang Cellular Services Private Limited |
| | Master Staffing Solutions Private Limited |
| | Golden Star Facilities and Services Private Limited |
| | Comtelpro Pte. Limited. |
| | Comtelink Sdn. Bhd |
| | Monster.com (India) Private Limited |
| | Monster.com.SG PTE Limited |
| | Monster.com HK Limited |
| | Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn |
| | Qdigi Services Limited (formerly known as: HCL Computing Products Limited) |
| | Greenpiece Landscapes India Private Limited |
| | Simpliance Technologies Private Limited |
| | Quesscorp Management Consultancies (formerly known as Styracorp Management |
| | Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower |
| - Associates of Entity having Interest in the Company | Heptagon Technologies Private Limited |
| | Terrier Security Services (India) Private Limited |
| | Trimax Smart Infraprojects Private Limited |
| | Quess Recruit, Inc. |
| | Agency Pekerjaan Quess Recruit Sdn. Bhd. |
| - Joint Ventures of Entity having Interest in the Company | Himmer Industrial Services (M) Sdn Bhd |
| - Entity having common directors | Net Resources Investments Private Limited |
| | Isaac Enterprises Private Limited |
| | Iris Capital Ventures Private Limited |
| | Fertility Clinic And Ivf Research Centre Pvt Ltd |
| | Advanced Medicare & Research Institute Limited |
| | Kingfisher East Bengal Football Team Private Limited |
| | Millennium Mri Services Private Limited |
| | Ben Nevis Healthcare Private Limited |
| | Classic Designer & Developer Pvt.Ltd. |
| | Elegant Pharma Marketing Private Limited |
| | Conneqt Business Solutions Limited |
| | Quaestum Financial Services Private Limited |
| -Other Related Parties | East Bengal Club |

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**Key Managerial Personnel of the reporting entity**

| | |
|---|---|
| Ajit Abraham Isaac | Director |
| Subrata Kumar Nag | Director |
| Sanjit Sen | Chief Executive Officer |

**(ii) Related party transactions**

| Particulars | | 31 March 2019 |
|---|---|---|
| **Finance costs** | | |
| - Interest expense | **Quess Corp Limited** | 27,79,798 |
| **Payments made by related parties on behalf of the Company** | **Quess Corp Limited** | 7,47,67,571 |
| **Reimbursement of Expenses** | **East Bengal Club** | 1,61,36,208 |
| **Issue of Shares** | **Quess Corp Limited** | 10,03,50,000 |
| | **East Bengal Club** | 4,28,57,100 |

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

| Particulars | | 31 March 2019 |
|---|---|---|
| **Current borrowings** | **Quess Corp Ltd** | 7,69,19,389 |
| **Reimbursement of Expenses** | **East Bengal Club** | 10,17,080 |

**(iv) Compensation of key managerial personnel**

| Particulars | | 31 March 2019 |
|---|---|---|
| **Salaries and other employee benefits to whole-time directors and executive officers:-** | | |
| Sanjit Sen | Chief Executive Officer | 22,69,852 |
| | | **22,69,852** |

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

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Quess East Bengal FC Private Limited Kolkata

QUESS EAST BENGAL FC PRIVATE LIMITED

**Notes to the financial statements for the period ended 31 March 2019**

**31 Post Employment benefit**

The Company operates the following post-employment defined benefit plan.

The Company has a defined benefit gratuity plan governed by the Payment of Gratuity Act, 1972 which entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of 15 days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. The company has accordngly estimated the related liability on the same basis and made a Gratuity Provision as at the year end.

**32 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

**33 Segment Reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The company is a Professional football club based in Kolkata and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The company's management is of the opinion that the company does not have secondary segments and hence segment reporting is not applicable.

**34** Since the Company is in Initial year of operation, the Company has not recognised Credit loss on Expected Credit loss model for the period reported.

**35** Previous Year/Opening balance figures have not been reported since this is the first financial statements of the company. The financial Statements have been prepared for the Period 13th July 2018 to 31st March 2019.

**36** The company has issued shares worth INR 4,28,57,100 as against the fair value of INR 4,08,33,977. Accordingly the compauy has written-off the differential amount of INR 20,23,123 during the period to the statement of Profit and Loss being Unidentifiable good or services .

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 16th May 2019

*for* and on behalf of Board of Directors of
**QUESS EAST BENGAL FC PRIVATE LIMITED**

Subrata Nag

| | | |
|---|---|---|
| **Ajit Isaac** | **Subrata Kumar Nag** | **Sanjit Sen** |
| **Director** | **Director** | **Chief Executive officer** |
| **DIN:00087168** | **DIN:02234000** | |

Quess East Bengal FC Private Limited Kolkata

# INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**Trimax Smart Infraprojects Pvt Ltd**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Trimax Smart Infraprojects Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

Attention is drawn to Note 37 of the financial statements, which describes the effects on the collectability of trade receivables (Rs. 150.57 Crores) from a related party, arising from uncertainty of the outcome of corporate insolvency resolution process that the party is under. The impact, if any, of the above on the financial statements cannot presently be determined pending the ultimate outcome of the resolution process.

Our opinion is not modified in respect of this matter

**Vasan & Sampath LLP (LLPIN: AAJ-7762)**
*Formerly Vasan & Sampath, Chartered Accountants, converted to a Limited Liability Partnership on 22 June 2017*

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Email : Info@vscaglobal.com
web : www.vscaglobal.com

**Information other than the Standalone Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.



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- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

2) As required by Section 143 (3) of the Act, we report that;

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone financial statements comply with theIndian Accounting Standards specified under Section 133 of the Act, read with relevant Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, from being appointed as a director in terms of Section 164 (2) of the Act;



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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 B"; and

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, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date:21-May-2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Trimax Smart Infraprojects Private Limited of even date)

i. a. The Company does not have any fixed assets. Consequently, comment on clause (i) of the order is not applicable.

   b. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. The Company's operations do not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. As explained to us, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, cess and other statutory dues, during the year with the appropriate authorities, with the exception of delays in remittance of Goods and Services Tax (GST).

   b. As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable except for the GST payable of Rs 1,726.01 lakhs which is in the process of reconciliation and remittance.

   c. According to the information and explanations given to us, there are no dues of provident fund, employee state insurance, income-tax, goods and service tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute;

viii. The company does not have any loans or borrowings from any financial institution, banks, government or debenture holder during the year. Consequently, comment on clause (viii) of the Order is not applicable;

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year and accordingly the clause regarding the requisite approvals mandated by the provisions of



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section 197 read with Schedule V to the Act, is not applicable. Consequently, comment on clause (xi) of the order is not applicable;

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable IndianAccounting Standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable; and

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 21-May-2019

**ANNEXURE - B to the Independent Auditors' Report**

**ANNEXURE - B to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Trimax Smart Infraprojects Private Limited of even date)

**Report on the Internal Financial Controls 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 **Trimax Smart Infraprojects Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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[1] and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalonefinancial 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 authorizations of management and directors of the Company; and



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3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 21-May-2019

**Trimax Smart Infraprojects Private Limited**
**BALANCE SHEET AS AT 31ST MARCH 2019**

*(Amount in Rs)*

| Balance Sheet | Note | As at 31 Mar 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Financial assets** | | | |
| Non Current Loans | 3 | 496,72,414 | 263,80,573 |
| Deferred tax assets | 4 | 330,54,083 | 330,62,970 |
| Income tax assets (net) | 5 | 46,73,830 | - |
| Other non-current assets | 6 | 162,25,611 | 127,48,350 |
| **Total non-current assets** | | **1036,25,938** | **721,91,893** |
| **Current Assets** | | | |
| **Financial assets** | | | |
| (i) Trade receivables | 7 | 15056,96,560 | 17381,12,586 |
| (ii) Cash and cash equivalents | 8 | 1,83,643 | 14,90,109 |
| (iii) Current Loan | 9 | 7,350 | 1,24,000 |
| (iv) (Unearned)/ Unbilled Revenue | 10 | 473,95,894 | 2,10,277 |
| Other current assets | 11 | 1804,76,840 | 1231,87,080 |
| **Total current assets** | | **17337,60,287** | **18631,24,052** |
| **Total Assets** | | **18373,86,225** | **19353,15,945** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity Share Capital | 12 | 1,00,000 | 1,00,000 |
| Other equity | 13 | (834,50,941) | 1,53,421 |
| **Total equity attributable to equity holders of the Company** | | **(833,50,941)** | **2,53,421** |
| Non-controlling interests | | - | - |
| **Total equity** | | **(833,50,941)** | **2,53,421** |
| **Liabilities** | | | |
| Non-current Provisions | 14 | 1,82,937 | 1,14,464 |
| **Total non-current liabilities** | | **1,82,937** | **1,14,464** |
| **Financial liabilities** | | | |
| Current Borrowings | 15 | 10476,27,034 | 13614,34,208 |
| Trade payables | 16 | 5844,16,151 | 656,44,753 |
| Other current financial liabilities | 17 | 1014,26,584 | 2576,37,056 |
| Current Provisions | 18 | 54,20,888 | 100,68,341 |
| Other current liabilities | 19 | 1816,63,573 | 2401,63,702 |
| **Total current liabilities** | | **19205,54,229** | **19349,48,060** |
| **Total Liabilities** | | **19207,37,166** | **19350,62,524** |
| **Total Equity and Liabilites** | | **18373,86,225** | **19353,15,945** |

*The notes referred to above form an integral part of the financial statements*
*As per our report of even date attached*

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date: 21/5/19

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

for and on behalf of Board of Directors of
**Trimax Smart Infraprojects Private Limited**

**Neil Elijah**
Director
DIN: 06633420

Place: Bengaluru
Date: 21-May-2019

**Suryaprakash Sohanlal Madrecha**
Director
DIN: 00232283

Place:
Date:

Trimax Smart Infra Project Private Limited

**Trimax Smart Infraprojects Private Limited**

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH 2019**

*(Amount in Rs)*

| Statement of profit and loss | Note | For the year ended 31 March 2019 | For the period from 14 July 2017 to 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 20 | 3375,04,449 | 15058,84,100 |
| Other income | 21 | 405,35,609 | 6,12,773 |
| **Total Income** | | **3780,40,058** | **15064,96,873** |
| **Expenses** | | | |
| Cost of materials and services | 22 | 3228,31,325 | 11872,89,964 |
| Employee benefits expense | 23 | 78,33,538 | 28,29,922 |
| Finance costs | 24 | 1447,08,102 | 259,66,800 |
| Other expenses | 25 | 26,32,925 | 2876,54,940 |
| **Total expenses** | | **4780,05,889** | **15037,41,626** |
| **Profit/(loss) before tax** | | **(999,65,831)** | **27,55,247** |
| **Tax expense** | | | |
| Current tax | | - | (356,64,796) |
| Adjustments of tax relating to earlier periods | | 163,36,175 | - |
| Deferred tax | | - | 330,62,970 |
| **Profit/(loss) for the period** | | **(836,29,656)** | **1,53,421** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains / (losses) on defined benefit plans | | 34,181 | - |
| Income tax relating to items that will not be reclassified to profit or loss | | (8,887) | - |
| | | | - |
| **Other comprehensive income for the period** | | **25,294** | - |
| **Total comprehensive income for the period** | | **(836,04,362)** | **1,53,421** |
| | 0 | | |
| **Earnings per equity share (face value of Rs 10 each)** | | | |
| Basic | | (8,362.97) | 15.34 |
| Diluted | | (8,362.97) | 15.34 |
| Company Overview and Significant Accounting Policies | 1 & 2 | | |

*The notes referred to above form an integral part of the financial statements*

*As per our report of even date attached*

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

**Unnikrishnan Menon**
Partner
Membership No: 205703

Place: Bengaluru
Date : 21/5/19

VASAN & SAMPATH LLP • CHARTERED ACCOUNTANTS • BANGALORE INDIA

for and on behalf of Board of Directors of
**Trimax Smart Infraprojects Private Limited**

**Neil Elijah**
Director
DIN: 06633420

Place: Bengaluru
Date : 21-May-2019

**Suryaprakash Sohanlal Madrecha**
Director
DIN: 00232283

Place:
Date :

Trimax Smart Infra Project Private Limited

**Trimax Smart Infraprojects Private Limited**
**Statement of Changes in Equity for the year ended 31 March 2019**

| Particulars | Share Capital | OTHER EQUITY | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|
| | | Retained Earnings | Other Reserves | |
| **Balance as of 01 April 2018** | 1,00,000 | 1,53,421 | - | 2,53,421 |
| Add: Increase in Share Capital | - | - | - | - |
| Less: Buyback of share capital | - | - | - | - |
| Add: Financial value of Corporate guarantee received | - | - | - | - |
| Add: Profit for the year | - | (836,29,656) | - | (836,29,656) |
| Add: Other comprehensive income (net of tax) | - | 25,294 | - | 25,294 |
| **Balance as of 31 March 2019** | **1,00,000** | **(834,50,941)** | - | **(833,50,941)** |

As per our report of even date attached
*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership No. 205703

Place: Bengaluru
Date: 21/5/19

*for* and on behalf of Board of Directors of
**Trimax Smart Infraprojects Private Limited**

**Neil Elijah**
Director
DIN: 06633420

Place: Bengaluru
Date: 21-May-19

**Suryaprakash Sohanlal Madrecha**
Director
DIN: 00232283

Place:
Date:

Trimax Smart Infra Project Private Limited

Trimax Smart Infraprojects Private Limited

Statement of Cash flow Statement for the year ended on 31st March, 2019

*(Amount in Rs)*

| Statement of Cash Flows | For the period ended 31 March 2019 | For the period ended 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit for the period | (999,65,831) | 27,55,247 |
| **Adjustments for:** | | |
| Finance costs | 1447,08,102 | 259,66,800 |
| **Operating cash flows before working capital changes** | **447,42,271** | **287,22,047** |
| (Increase)/Decrease in inventories, Trade receivables | 2324,16,026 | (17381,12,586) |
| (Increase)/Decrease in Loans, other financial assets and other assets | (1354,38,382) | (1625,26,280) |
| Increase/(Decrease) in trade payables and other financial liabilities | 3626,29,398 | 3233,96,273 |
| Increase/(Decrease) in other liabilities and provisions | (467,86,114) | 2145,67,247 |
| **Cash generated from operations** | **4575,63,199** | **(13339,53,299)** |
| Income taxes paid, net of refund | (4,71,040) | - |
| **Net cash (used in) / provided by operating activities (A)** | **4570,92,159** | **(13339,53,299)** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | (3138,07,174) | 13614,34,208 |
| Loans and advances given | 1,16,650 | (1,24,000) |
| Proceeds from issue of equity shares | - | 1,00,000 |
| Interest paid | (1447,08,102) | (259,66,800) |
| **Net cash (used in) / provided by financing activities (B)** | **(4583,98,625)** | **13354,43,408** |
| Net increase in cash and cash equivalents (A+B) | (13,06,466) | 14,90,109 |
| Cash and cash equivalents at the beginning of the period | 14,90,109 | - |
| **Cash and cash equivalents at the end of the period (refer note 10)** | **1,83,643** | **14,90,109** |
| | **0** | **0** |

*The notes referred to above form an integral part of the financial statements*

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**

Partner
Membership No: 205703

Place: Bengaluru
Date: 21/5/19

for and on behalf of Board of Directors of
**Trimax Smart Infraprojects Private Limited**

Neil Elijah

**Neil Elijah**
Director
DIN: 06633420

Place: Bengaluru
Date: 21-May-2019.

**Suryaprakash Sohanlal Madrecha**
Director
DIN: 00232283

Place:
Date:

Trimax Smart Infra Project Private Limited

**Trimax Smart Infraprojects Private Limited**
**Notes to the Financial Statements for the year ended 31 March 2019**

**1. Company overview**

Trimax Smart Infraprojects Private Limited was incorporated on 14th July 2017 under the Companies Act, 2013. The Company is a joint venture SPV between Quess Corp Ltd (Co-Venture) and Trimax IT Infrastructure and Services Ltd (Co-Venture). The Company is formed for the purpose of providing various solutions for smart city project from Smart City Ahmedabad Development Limited including but not limited to the said project. The company currently functions as an Implementation Agency for supply, installation, commissioning and operation and maintenance for a Pan City CIT Infrastructure and intelligent command and control centre for Ahmedabad Smart City and various other smart city projects.

**2.Significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these Ind AS financial statements. Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

**Basis of preparation**

**2.1 Statement of compliance**

These Ind AS financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS") and the provisions of the Companies Act, 2013 ("Act") and the relevant rules thereunder. The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company Standalone Ind AS financial statements are approved for issue by the Company's Board of Directors on 21/05/2019

These Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency

**2.2 Basis of measurement**

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO")

**2.3 Use of estimates and judgment**

The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) **Contingent liability**: Contingent liabilities are not recognised in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except, in the extremely rare circumstances where no reliable estimate can be made).

ii) **Income taxes**: Significant judgements are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions. Availability of future taxable profits against which deferred tax amount can be used.

0

iii) **Recognition of deferred tax assets**: Availability of future taxable profit against which tax losses carried forward can be used.

iv) **Measurement of defined benefit obligations**: Key actuarial assumptions used for actuarial valuation.

v) **Impairment of financial assets:** The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost.

vi) **Property, plant and equipment:** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

vii) **Other estimates**: The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required

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Trimax Smart Infra Project Private Limited

### 2.4 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Items included in the Ind AS financial statements of the Company are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

### 2.5 Property, plant and equipment

**Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
Any gain or loss on disposal of an item of property, plant and equipment is recognized in the consolidated statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

**Depreciation methods, estimated useful lives and residual value**

Depreciation is calculated on cost of the items of property, plant and equipment less their estimated residual values over their estimated useful lives using the Straight-Line Method ('SLM'), and is recognised in the statement of profit and loss. The Management believes that the useful lives as given below best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act ,2013. Depreciation for assets purchased/ sold during the year is proportionately charged. The Company estimated the useful lives for items of property, plant and equipment as follows:

| Category | Useful life |
|---|---|
| Buidling | 20 years |
| Plant and machinery | 3 years |
| Computer equipment | 3 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |
| Vehicles | 3 years |
| Leasehold improvements* | As per lease term |

The assets residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses)

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in progress'.

Vasan & Sampath LLP Chartered Accountants Bangalore India

Trimax Smart Infra Project Private Limited

**2.6 Intangible assets**

**(i) Intangible Assets**

Other intangible assets such as computer software, copyright and trademarks are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

**(iii) Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method and is included in depreciation and amortisation expenses in the standalone statement of profit and loss.

| Category | Useful life |
|---|---|
| Brand | 15 years |
| Software (leasehold) | Lese term or estimated useful life whichever is lower |
| Software (owned) | 3 years |
| Copy rights and trademarks | 3 years |
| Customer contracts | 3 years |
| Customer relationship | 5-10 years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

**2.7 Impairment of non financial assets**

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Leases of property, plant and equipment that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are generally charged to profit or loss on a straight-line basis over the period of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**2.8 Other Income**

Other income is comprised primarily of interest income and exchange gain/loss on translation of other assets and liabilities. Interest income is recognized using the effective interest method.

**2.9 Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the consolidated statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

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**2.10 Revenue Recognition**

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration it expects to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognised as the services are performed as per the terms of the arrangement with the customer.

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

**Refer Note 28 for disclosure related to revenue from contracts with customers.**

**2.11 Financial instruments**

**a) Recognition and Intial measurement**
Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

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**b)Classification and subsequent measurement**

Financial Assets
On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
-the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
-the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
-the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

All financial assets not classified and measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets: Subsequent measurement and gains and losses**

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss. |

**c) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

**d) Derecognition of financial assets**

The Company derecognizes a financial asset when the
- contractual rights to the cash flows from the financial asset expires, or
- it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or
- Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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

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

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**Financial Liability**

**a)Initial recognition andmeasurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss (FVTPL) or amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

**Amortised Cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

**c) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.12 Employee benefit**

**(a) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Remeasurement of the net defined benefit liability/ asset (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

**(b) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**(c) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as an actuarially determined liability using the projected unit credit method as at the balance sheet date.

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**(d) Short term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. shortterm cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employees, and the amount of obligation can be estimated reliably.

**(e) Termination benefit**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**2.13 Taxes**

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

Current tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for the cases mentioned below.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

**2.14 Provisions ( other than employee benefits)**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

**Onerous Contract**

A contract is considered to be onerous when the expected economic benefit to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognizes any impairment loss on the assets associated with the contract.

**2.15 Provision for warranty**

Provision for warranty is on account of warranties given on products sold by the Company. The amount of provision is based on the nature, frequency and average cost of warranty claims and management estimates regarding possible future incidence.
The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims.

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**2.16 Contingent liability**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

**2.17 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.18 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**2.19 Earnings per share**

The basic earnings per share is computed by dividing the net profit/ (loss) attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings/ (loss) per share comprises the weighted average shares considered for deriving basic earnings/ (loss) per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

**Note on Recent accounting pronouncements**
**Standards issued but not yet effective**

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs (MCA) on 30th March, 2019) which are effective for annual period beginning after 1st April, 2019. The Company intends to adopt these standards or amendments from the effective date.

**Ind AS 116 – Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, except short-term leases and leases for low-value items, under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting largely unchanged from the existing standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options.

**Amendments to existing Ind AS:**

The following amendments to existing standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

1. Amendment to Ind AS 12 Income Taxes
2. Amendment to Ind AS 19 Employee Benefits
3. Amendment to Ind AS 23 Borrowing Costs
4. Amendment to Ind AS 109 Financial Instruments

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Notes to the financial statements for the period ended 31 March 2019

## 3 Non current loans

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (Unsecured and considered good) | | |
| Security deposits (Refer note 35) | 496,72,414 | 263,80,573 |
| | **496,72,414** | **263,80,573** |

## 4 Deferred tax asset

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred Tax asset are attributable to** | | |
| Provision for penalty | 23,34,814 | 330,62,970 |
| Loss as per IT computation | 307,28,157 | - |
| Deferred Tax - OCI | (8,887) | - |
| | **330,54,083** | **330,62,970** |

## 5 Income tax assets (net)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 46,73,830 | - |
| Income tax liabilities | - | |
| Provision for tax (net of advance tax) | - | |
| Income Tax Liabilities | - | |
| | **46,73,830** | - |

## 6 Other non-current assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *(Unsecured and considered good)* | | |
| Prepaid expenses | 162,25,611 | 127,48,350 |
| | **162,25,611** | **127,48,350** |

## 7 Trade receivables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good * | 15056,96,560 | 17381,12,586 |
| | **15056,96,560** | **17381,12,586** |

* *Pertains to receivables from related party ( Trimax IT Infrastruacture & Services Limited). Refer note 32.*

## 8 Cash and cash equivalents

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Balances with banks | | |
| In current accounts | 1,83,643 | 14,90,109 |
| **Cash and cash equivalents in balance sheet** | **1,83,643** | **14,90,109** |
| Bank overdraft used for cash management purpose | - | - |
| **Cash and cash equivalent in the statement of cash flow** | **1,83,643** | **14,90,109** |

## 9 Loans

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *(Unsecured, considered good)* | | |
| Security deposits | 7,350 | 1,24,000 |
| | **7,350** | **1,24,000** |

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**10 Unbilled revenue**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue | 473,95,894 | 2,10,277 |
| | **473,95,894** | **2,10,277** |

**11 Other current assets**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Prepaid expenses | 1254,69,888 | 1231,87,080 |
| Balances with government authorities | 550,06,952 | - |
| | **1804,76,840** | **1231,87,080** |

**12 Share capital**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 10,000 (31 March 2018: 10,000) equity shares of par value of Rs 10 each | 1,00,000 | 1,00,000 |
| | **1,00,000** | **1,00,000** |
| **Issued, subscribed and paid-up** | | |
| 10,000 (31 March 2018: 10,000) equity shares of par value of Rs 10 each | 1,00,000 | 1,00,000 |
| | **1,00,000** | **1,00,000** |

**12.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| **Equity shares** | | | | |
| At the commencement of the year | 10,000 | 1,00,000 | - | - |
| Shares issued on exercise of employee stock options | - | - | - | - |
| Shares issued during the year | - | - | 10,000 | 1,00,000 |
| Right issue | - | - | - | - |
| Bonus issue | - | - | - | - |
| At the end of the year | **10,000** | **1,00,000** | **10,000** | **1,00,000** |

**12.2 Rights, preferences and restrictions attached to equity shares**

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. On winding up of the Company, the holders of the equity shares will be entitled to receive the residual assets of the Company, after distribution of all preferential amounts (if any) in proportion to the number of equity shares held.

**12.3 Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % held | Number of shares | % held |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Trimax IT Infrastructure and Services Limited | 4,899 | 48.99% | 4,899 | 48.99% |
| Quess Corp Limited | 5,100 | 51.00% | 5,100 | 51.00% |
| | **9,999** | | **9,999** | |

As per the records of the Company, including its register of members/shareholders, the above shareholding represents both legal and beneficial ownership of the shares.

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Notes to the financial statements for the period ended 31 March 2019

**13 Other equity***

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Other comprehensive income | 25,294 | - |
| Retained earnings | (834,76,235) | 1,53,421 |
| | **(834,50,941)** | **1,53,421** |

* For detailed movement of reserves refer Statement of changes in Equity

**14 Non-current provisions**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefit** | | |
| Provision for gratuity | 93,259 | 34,307 |
| Provision for compensated absences | 89,678 | 80,157 |
| | **1,82,937** | **1,14,464** |

**15 Current borrowings**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Loan from related parties, unsecured* | | |
| From Quess Corp Limited | 10476,27,034 | 13614,34,208 |
| | **10476,27,034** | **13614,34,208** |

*Information about the Company's exposure to interest rate and liquidity risk is included in note 29.*

**16 Trade payables**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Other trade payables* | 5844,16,151 | 656,44,753 |
| | **5844,16,151** | **656,44,753** |

As on 31 March 2019, there are no outstanding amounts due to micro and small enterprises. There are no interests due or outstanding on the same.

**Includes Related Party Balances (refer Note 32)*

**17 Other current financial liabilities**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| ***Other Payables*** | | |
| Accrued salaries and benefits | 7,89,836 | 14,03,246 |
| Accrued expenses | 1006,36,748 | 2562,33,810 |
| | **1014,26,584** | **2576,37,056** |

**18 Current provisions**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity | 268 | - |
| Provision for compensated absences | 32,642 | - |
| | **32,910** | - |
| **Others** | | |
| Provision for warranty | 53,87,978 | 45,17,021 |
| Provision for Income Tax | | 55,51,320 |
| | **54,20,888** | **100,68,341** |

**19 Other current liabilities**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 1816,63,573 | 2401,63,702 |
| | **1816,63,573** | **2401,63,702** |

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**20 Revenue from operations**

| Particulars | For the year ended 31 March 2019 | For the period from 14 July 2017 to 31 March 2018 |
|---|---|---|
| Revenue from execution of contracts for material and services | 3375,04,449 | 15058,84,100 |
| | **3375,04,449** | **15058,84,100** |

**21 Other income**

| Particulars | For the year ended 31 March 2019 | For the period from 14 July 2017 to 31 March 2018 |
|---|---|---|
| Unwinding of discount on security deposits | 45,15,662 | 6,12,773 |
| Provisions no longer required written back . Refer note no. 38 | 360,19,947 | - |
| | **405,35,609** | **6,12,773** |

**22 Cost of materials**

| Particulars | For the year ended 31 March 2019 | For the period from 14 July 2017 to 31 March 2018 |
|---|---|---|
| Cost of materials and services | 3228,31,325 | 11872,89,964 |
| | **3228,31,325** | **11872,89,964** |

**23 Employee benefits expense**

| Particulars | For the year ended 31 March 2019 | For the period from 14 July 2017 to 31 March 2018 |
|---|---|---|
| Salaries and wages | 73,86,723 | 25,81,624 |
| Expenses related to post-employment defined benefit plan | 42,163 | 34,307 |
| Expenses related to compensated absences | 59,220 | 80,157 |
| Staff welfare expenses | 25,867 | 24,479 |
| | **77,99,357** | **28,29,922** |

**24 Finance costs**

| Particulars | For the year ended 31 March 2019 | For the period from 14 July 2017 to 31 March 2018 |
|---|---|---|
| Interest expense on financial liabilities at amortized cost | 54,63,752 | 7,96,770 |
| Other borrowing costs | 891,08,074 | 251,70,030 |
| Interest expense | 501,36,275 | - |
| | **1447,08,102** | **259,66,800** |

**25 Other expenses**

| Particulars | For the year ended 31 March 2019 | For the period from 14 July 2017 to 31 March 2018 |
|---|---|---|
| Legal and professional fees | 12,05,530 | 1828,73,277 |
| Bank charges | 749 | 3,039 |
| Communication expenses | 13,283 | 4,862 |
| Miscellaneous expenses | 2,09,681 | 45,000 |
| Provision for warranty | 8,70,956 | 45,17,021 |
| Power and fuel | - | 990 |
| Provision (Reversal) - Probable Obligations / Contingencies Refer note 38 | - | 999,99,910 |
| Rates and taxes | 225 | 4,841 |
| Rent | 3,32,500 | 2,06,000 |
| | **26,32,925** | **2876,54,940** |

| **Payment to auditors (net of tax; included in legal and professional fees)** | | |
|---|---|---|
| As auditor | | |
| Statutory audit | 2,75,000 | 1,50,000 |
| Tax audit | 25,000 | - |
| | **3,00,000** | **1,50,000** |

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Notes to the financial statements for the period ended 31 March 2019

26 Taxes

A. Amount recognised in profit and loss account

*(Amount in Rs)*

| Particulars | For the period ended 31 March 2019 | For the period ended 31 March 2018 |
|---|---|---|
| **Statement of profit and loss account** | | |
| *Current income tax:* | | |
| In respect of the current period | - | 356,64,796 |
| Excess provision related to prior years (refer note (i) below) | 163,36,175 | - |
| *Deferred tax* | | |
| In respect of the current period | - | (330,62,970) |
| **Income tax expense reported in the statement of profit and loss** | **163,36,175** | **26,01,826** |

| Particulars | For the period ended 31 March 2019 | For the period ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | 34,181 | - |
| Tax (expense)/ benefit | (8,887) | - |
| **Net of tax** | **25,294** | - |

C. Reconciliation of effective tax rate

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Profit before tax | (999,65,831) | 27,55,247 |
| Tax using company's Domestic tax rate 34.61% | - | 9,53,536 |
| **Effect of:** | | |
| Non-deductible expenses | - | 347,11,260 |
| Deferred Tax | - | (330,62,970) |
| **Effective Tax Rate** | - | 26,01,826 |
| Less: Excess provision related to prior years | 163,36,175 | - |

D.'The following table provides the details of income tax assets and income tax liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 46,73,830 | 301,13,476 |
| Income tax liabilities | - | (356,64,796) |
| **Net income tax asset/(liability) at the end of the period** | **46,73,830** | **(55,51,320)** |

Deferred tax relates to the following:

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Deferred Tax asset are attributable to | | |
| Provision for penalty | 23,34,814 | 330,62,970 |
| Loss as per IT computation | 307,28,157 | |
| | 330,62,970 | 330,62,970 |

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**D. Deferred tax assets**

**Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

| For the year ended 31st March 2019 | Opening balance | Additions through business combination | Recognized in profit and loss | Recognised in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax asset on:** | | | | | |
| Provision for penalty | 330,62,970 | - | (307,28,156) | - | 23,34,814 |
| Loss as per IT computation | - | - | 307,28,157 | - | 307,28,157 |
| **Gross deferred tax assets** | **330,62,970** | - | - | - | **330,62,970** |

The Company has accumulated business losses of Rs.14.49 Cr as at 31st Mar'19 as per the provisions of the Income Tax Act,1961. The unabsorbed business losses are available for offset for maximum period of eight years. The company is certain to earn future taxable profits to adjust the accumulated business losses. Accordingly deferred tax asset of ₹ 3.07 crs. has been recognised as at 31st Mar'19.

Signed

**27 Financial instruments - fair value and risk management**

**Accounting classification and fair value**

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**Fair value of Financial Instruments as at 31 March 2019**

**As at 31 March 2019**

*(Amount in Rs)*

| **Particulars** | **Carrying value** | **Fair value** | | |
|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** |
| **Non Current Loans** | | | | |
| Loans | 496,79,764 | - | - | - |
| Trade receivables | 15056,96,560 | - | - | - |
| Cash and cash equivalents including other bank balances | 1,83,643 | - | - | - |
| Unbilled revenue | 473,95,894 | - | - | - |
| **Total financial assets** | **16029,55,861** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Loans and borrowings | 10476,27,034 | - | - | - |
| Trade payables | 5844,16,151 | - | - | - |
| Other financial liabilities | 1014,26,584 | - | - | - |
| **Total financial liabilities** | **27810,96,803** | **(836,04,362)** | - | - |

**Fair value of Financial Instruments as at 31 March 2018**

*(Amount in Rs)*

| **Particulars** | **Carrying value** | **Fair value** | | |
|---|---|---|---|---|
| **Financial assets measured at amortised cost** | | | | |
| Loans | 265,04,573 | - | - | - |
| Trade receivables | 17381,12,586 | - | - | - |
| Cash and cash equivalents including other bank balances | 14,90,109 | - | - | - |
| Unbilled revenue | 2,10,277 | - | - | - |
| **Total financial assets** | **17663,17,545.00** | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Loans and borrowings | 13614,34,208 | - | - | - |
| Trade payables | 656,44,753 | - | - | - |
| Other financial liabilities | 2576,37,056 | - | - | - |
| **Total financial liabilities** | **16847,16,017** | - | - | - |

* *The fair value of these financial instruments is determined by using level 3 inputs of the fair value hierarchy.*

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**Fair value hierarchy**

**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference shares included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

**A Financial Assets:**

Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

1) **Borrowings:** It includes working capital loan availed. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the loan is reset on a monthly/quarterly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

2) **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

3) **Financial liability:** The fair value of financial liability has been determined by discounting consideration payable on commitment to sell. The probability of the estimate within the range can be reasonably assessed and are used in the management's estimates of fair value of this put option.

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**Notes to the financial statements for the year ended 31 March 2019**

## 28 Revenue from Contracts with customers

### (i) Disaggregation of revenue

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in Rs.)*

| Particulars | Smartcity | Total |
|---|---|---|
| **Revenues by Geography** | | |
| India | 3375,04,449 | 3375,04,449 |
| **Total** | **3375,04,449** | **3375,04,449** |

### (ii) Trade Receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.
Invoicing in excess of earnings are classified as unearned revenue.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 15056,96,560 | 17381,12,586 |
| Contract assets (Unbilled revenue) | 473,95,894 | 2,10,277 |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 2,10,277 |
| Add : Revenue recognized during the period | 3375,04,449 |
| Less : Invoiced during the period | 2903,18,833 |
| Less : Impairment / (reversal) during the period | - |
| Add: Changes due to Business Combinations | - |
| Add : Translation gain/(Loss) | - |
| Balance at the end | **473,95,894** |

### (iii) Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the company has not disclosed the value of remaining performance obligations for
(i) contracts with an original expected duration of one year or less and
(ii) contracts for which the company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is Nil.

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**(iv) Changes in accounting policies**

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 11.

The quantitative impact of the adoption of Ind AS 115 on the financial statements in the period of initial application is nil.

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**29 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Board of Directors of Trimax Smart Infraprojects Private Limited has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's principal financial liabilities comprise loans and borrowings, Provisions, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

**i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company believes that the exposure to credit risk is minimal as the project implementation services rendered to Trimax IT is strengthened by a government contract
*Refer Note No. 37*

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. As on 31 March 2019, Company performed impairment testing for its trade and other receivables as a result of which there is no credit loss arised. Accordingly, disclosure pertaining to Expected credit loss for trade receivable is not applicable.

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.The Company's objective is to maintain a balance between cash outflow and inflow. The company believes that the working capital is sufficient to meet its current requirements. Accordingly no liquidity risk is perceived.

**i) Financing arrangement**

The Company maintains the following line of credit:

The Company availed working capital loan from its joint venture company (Quess Corp Ltd) at 10% rate of interest. This facility is repayable on demand.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019:

**As at 31 March 2019**

*(Amount in Rs)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **0-1 years** | **1-2 years** | **2-5 years** | **5 years and above** |
| Borrowings | 10476,27,034 | 10476,27,034 | | | |
| Trade payables | 5844,16,151 | 5844,16,151 | - | - | - |
| Other financial liabilities | 1014,26,584 | 1014,26,584 | - | - | - |

**As at 31 March 2018**

*(Amount in Rs)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **0-1 years** | **1-2 years** | **2-5 years** | **5 years and above** |
| Borrowings | 13614,34,208 | 13614,34,208 | - | - | - |
| Trade payables | 656,44,753 | 656,44,753 | - | - | - |
| Other financial liabilities | 2576,37,056 | 2576,37,056 | - | - | - |

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**iii) Market risk**

**i) Currency risk**

The Company is not exposed to currency risk as there is no mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the Company.

**ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowing comprises of working capital loan from related parties which carries variable rate of interest, which exposes it to interest rate risk.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | 10476,27,034 | 13614,34,208 |
| **Total borrowings** | **10476,27,034** | **13614,34,208** |

**(b) Sensitivity**

*(Amount in Rs)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% Increase | 1% decrease | 1% Increase | 1% decrease |
| **31 March 2019** | | | | |
| Variable rate borrowings | (104,76,270) | 104,76,270 | (27,23,830) | 27,23,830 |

*(Amount in Rs)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% Increase | 1% decrease | 1% Increase | 1% decrease |
| **31 March 2018** | | | | |
| Variable rate borrowings | (136,14,342) | 136,14,342 | (47,11,924) | 47,11,924 |

**30 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current borrowing, current maturities of long-term borrowings and current maturities of finance lease obligations less cash and cash equivalents.

**The capital structure is as follows :-**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Gross debt | 10476,27,034 | 13614,34,208 |
| Less: Cash and cash equivalents | (1,83,643) | (14,90,109) |
| **Adjusted net debt** | **10474,43,392** | **13599,44,099** |
| Total equity | (833,50,941) | 2,53,421 |
| Less: Effective portion of cash flow hedges and cost of hedging | - | - |
| Total equity | **(833,50,941)** | **2,53,421** |
| **Net debt to equity ratio** | **(12.57)** | **5,366.35** |

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**31 Earnings per share**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares ( Rs. Per share) | 10 | 10 |
| Net profit after tax for the purpose of earnings per share | (836,29,656) | 1,53,421 |
| Weighted average number of shares used in computing basic earnings per share | 10,000 | 10,000 |
| **Basic earnings per share** | (8,362.97) | 15.34 |
| Weighted average number of shares used in computing diluted earnings per share | 10,000 | 10,000 |
| **Diluted earnings per share** | (8,362.97) | 15.34 |

**32 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Entities having significant influence | Quess Corp Limited<br>Trimax IT Infrastructure & Services Limited |
| - Subsidiaries of Entity having Interest in the Company | Coachieve Solutions Private Limited<br>MFX Infotech Private Limited<br>Aravon Services Private Limited<br>Brainhunter Systems Ltd.<br>Mindwire Systems Limited<br>Brainhunter Companies LLC, USA<br>Quess (Philippines) Corp.<br>Quess Corp (USA) Inc.<br>Quesscorp Holdings Pte. Ltd.<br>Quessglobal (Malaysia) Sdn. Bhd.<br>Quess Corp Lanka (Private) Limited<br>Comtel Solutions Pte. Ltd.<br>Ikya Business Services (Private) Limited<br>MFXchange Holdings, Inc.<br>MFXchange US, Inc.<br>MFXchange (Ireland) Limited<br>Quess Corp Vietnam LLC<br>MFX Chile SpA<br>Dependo Logistics Solutions Private Limited<br>CentreQ Business Services Private Limited<br>Excelus Learning Solutions Private Limited<br>Inticore VJP Advance Systems Private Limited<br>Limited (formerly known as<br>Vedang Cellular Services Private Limited<br>Master Staffing Solutions Private Limited<br>Golden Star Facilities and Services Private Limited<br>Comtelpro Pte. Limited.<br>Comtelink Sdn. Bhd<br>Monster.com (India) Private Limited<br>Monster.com.SG PTE Limited<br>Monster.com HK Limited<br>Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn Bhd)<br>Qdigi Services Limited (formerly known as: HCL Computing Products Limited)<br>Greenpiece Landscapes India Private Limited<br>Simpliance Technologies Private Limited<br>Quesscorp Management Consultancies<br>Quesscorp Manpower Supply Serveics LLC |
| - Associates of Entity having Interest in the Company | Heptagon Technologies Private Limited<br>Terrier Security Services (India) Private Limited<br>Quess East Bengal FC Private Limited<br>Quess Recruit, Inc.<br>Agency Pekerjaan Quess Recruit Sdn. Bhd. |
| - Joint Ventures of Entity having Interest in the Company | Himmer Industrial Services (M) Sdn Bhd |

**Trimax Smart Infraprojects Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**

| | |
|---|---|
| Subsidiaries of Trimax IT Infrastructure & Services Limited (entity having significance influence) | Trimax Datacenter Services Limited<br>Trimax Managed Services Limited<br>Resilient Softech Private Limited<br>Trimax It Infrastructure & Services Pte Limited (Tispl), Singapore |
| - Entity having common directors | Pratik Technologies Private Limited<br>Shrey Technologies Private Limited<br>Standard Fiscal Markets Private Limited<br>Smle Solutions Private Limited<br>Trimax It Solutions Limited<br>Triangulate Solutions Private Limited<br>Tab Consortium Private Limited<br>Seguro Home Projects Private Limited |

**Key executive management personnel**

| **Name** | **Designation** |
|---|---|
| Suryaprakash Sohanlal Madrecha | Director |
| Guruprasad Srinivasan | Director |
| Neil Elijah | Director |

(ii) **Related party transactions during the year**

*(Amount in Rs)*

| **Particulars** | | **31 March 2019** | **31 March 2018** |
|---|---|---|---|
| **Revenue from operations** | | | |
| | Trimax IT Infrastructure & Services Limited | 3375,04,449 | 15056,73,822 |
| **Procurement of Material/Services** | | | |
| | Quess Corp Limited | 3765,71,630 | - |
| **Other expenses** | | | |
| | Trimax IT Infrastructure & Services Limited | - | 82,74,478 |
| **Professional fees** | | | |
| | Trimax IT Infrastructure & Services Limited | - | 1000,00,000 |
| | Quess Corp Limited | 1,70,030 | 748,29,970 |
| **Finance costs** | | | |
| - Interest expense | Quess Corp Limited | 891,08,074 | 251,70,030 |
| **Company** | | | |
| | Trimax IT Infrastructure & Services Limited | - | 51,500 |
| | Quess Corp Limited | 631,27,079 | 429,15,454 |
| **Advance received from related parties** | | | |
| | Trimax IT Infrastructure & Services Limited | - | 2,04,500 |
| **Deposit with related parties** | | | |
| | Trimax IT Infrastructure & Services Limited | 300,00,000 | 425,00,000 |
| **Repayment of Loans to related parties** | | | |
| | Quess Corp Limited | 5795,00,000 | - |
| **Loans taken from related parties** | | | |
| | Quess Corp Limited | 568,00,000 | 13614,34,208 |

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Trimax Smart Infra Project Private Limited

Trimax Smart Infraprojects Private Limited
Notes to the financial statements for the year ended 31 March 2019

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Trade receivables** | | |
| Trimax IT Infrastructure & Services Limited | 15056,96,560 | 17383,17,085 |
| **Trade payables** | | |
| Trimax IT Infrastructure & Services Limited | 1080,00,000 | 900,76,271 |
| Quess Corp Limited | 4763,84,718 | 1329,15,454 |
| **Borrowings** | | |
| Quess Corp Limited | 10476,27,034 | 13614,34,208 |
| **Loans given** | | |
| Trimax IT Infrastructure & Services Limited | 725,00,000 | 425,00,000 |
| **Advance received** | | |
| Trimax IT Infrastructure & Services Limited | - | 2,04,500 |

**(iv) Compensation of key managerial personnel***

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Salaries and other employee benefits to whole-time directors and executive officers | - | - |
| Others if any, specify nature | - | - |
| | - | - |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences and employee share-based payment since, provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

**33 Assets and liabilities relating to employee benefits**

The following table sets out the funded status of the gratuity plans and the amounts recognized in the Company's financial statements as at 31 March 2019

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 93,527 | 34,307 |
| Liability for compensated absences | 1,22,320 | 80,157 |
| **Total employee benefit liability** | **2,15,847** | **1,14,464** |
| | | |
| Current | 32,910 | 21,528 |
| Non-current | 1,82,937 | 93,026 |
| | **2,15,847** | **1,14,554** |

The Company does not have any assets relating to employee benefits.

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act,1972. It entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Trimax Smart Infra Project Private Limited

**Trimax Smart Infraprojects Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**
**Reconciliation of net defined benefit liability/ asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| ***Reconciliation of present value of defined benefit obligation*** | | |
| Obligation at the beginning of the year | 34,307 | - |
| Additions through business combination | | - |
| Current service cost | 90,779 | 34,307 |
| Interest cost | 2,622 | - |
| - Changes in experience adjustments | (36,929) | - |
| - Changes in financial assumptions | 2,748 | - |
| **Obligation at the end of the year** | **93,527** | **34,307** |
| | | |
| ***Reconciliation of present value of plan assets*** | | |
| Plan assets at the beginning of the year, at fair value | - | - |
| Additions through business combination | - | - |
| Interest income on plan assets | - | - |
| Remeasurement- actuarial gain/(loss) | - | - |
| Return on plan assets recognised in other comprehensive income | - | - |
| Contributions | - | - |
| Benefits settled | - | - |
| **Plan assets as at the end of the year** | - | - |
| **Net defined benefit liability** | **(93,527)** | **(34,307)** |

**Expense recognised in profit or loss**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 90,779 | 34,307 |
| Interest cost | 2,622 | - |
| Past service cost | - | - |
| Interest income | - | - |
| **Net gratuity cost** | **93,401** | **34,307** |

**Remeasurement recognised in other comprehensive income**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | (34,181) | - |
| Remeasurement of the net defined benefit asset | - | - |
| | **(34,181)** | - |

**Defined benefit obligation - Actuarial Assumptions**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Discount rate | 7.35% | 7.65% |
| Future salary growth | 9.00% | 9.00% |
| Attrition rate | 12.50% | 12.50% |
| Mortality rate (% of IALM 06-08) | 100% | 100% |

**Trimax Smart Infraprojects Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**
**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

*(Amount in Rs)*

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (1% movement) | 84,782 | 1,03,606 | 30,816 | 38,365 |
| Future salary growth (1% movement) | 1,03,345 | 84,831 | 38,271 | 30,827 |
| Mortality rate (10% movement) | 93525 | 93,529 | 34,307.00 | 34,307 |
| Attrition rate (50% movement) | 70,111 | 1,26,615 | 24,830 | 47,772 |

**34 Segment reporting**

The Board of directors of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is engaged in supply, installation, commissioning, operations and maintenance of smart city projects and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards.

a) Revenue from major services

*(Amount in Rs)*

| **Particulars** | **31 March 2019** | **31 March 2018** |
|---|---|---|
| Revenue from execution of contracts for material and services | 3375,04,449 | 15058,84,100 |
| | **3375,04,449** | **15058,84,100** |

b) Geographical information

All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable geographical information.

35 Security deposit pertains to the amount given as security for the period of project to Trimax IT Infrastructure and Services Limited

**36 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

37 The Company (TSIPL) through a subcontracting arrangement with provides hardware, software, maintenance and technical support to Trimax IT Infrastructure & Services Limited ("Trimax"). The joint venture partner is Trimax along with Quess Corp Limited. Trimax executed an agreement with Smart City Ahmedabad Development Limited ("SCADL") a government undertaking, in 2017 for supply, installation, commissioning and operation and maintenance for a Pan CIT infrastructure and intelligent command and control center for the Ahmedabad Smart City ("Project") .

On February 21, 2019, the Hon'ble National Company Law Tribunal ("NCLT"), Mumbai Bench ordered the commencement of Corporate Insolvency Resolution Process for Trimax based on a petition filed by Corporation Bank which had declared Trimax as an NPA on March 31, 2018.

At March 31, 2019, the Company has an net trade receivable of ₹ 150.57 crores and Deposit of ₹ 7.25 crores recoverable from Trimax. . Similarly, Trimax would have an outstanding trade receivable of ₹ 151 crores from SCADL..

As at March 31, 2019, the resolution professional handling the Insolvency process for Trimax, has acknowledged Rs.151.00 crores as debts due to TSIPL. Further as per the Tripartite agreement between TSIPL, Trimax and Axis Bank ("Escrow Agent"), amounts to be received from SCADL will be deposited into an escrow account and 99% of the money received will be paid to TSIPL. Currently, the Company considers the amounts due from Trimax as recoverable, based on an independent legal opinion, which provides that 99% of the amounts recovered from SCADL into the Escrow account will be transferred to TSIPL, during the Insolvency process extending over 180 days from 21 February, 2019.

Based on the current facts and circumstances, the Company considers the amounts outstanding to be eventually recoverable in full, although such recovery is contingent on the inherent uncertainties over the outcome and timing of the ongoing Insolvency process before the NCLT.

Vasan & Sampath LLP Chartered Accountants Bangalore India

Trimax Smart Infra Project Private Limited

Trimax Smart Infraprojects Private Limited

**Notes to the financial statements for the year ended 31 March 2019**

**38** The company has re-estimated probability of contingency on account on penalty on Implementation of project. Based on such re-assessment, the provision for contingency on account of penalty is carried 0.5% of cumulative revenue till F.Y 2018-19 (reduced from 3 % of revenue considered in in F.Y 2017-18). Consequent to this, a sum of Rs 36,019,946 has been reversed during the year.`

**39** Previous year figures are reclassified/regrouped wherever necessary.

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*As per our report of even date attached*
*The notes referred to above form an integral part of the financial statements*
*for* **Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
*Partner*
Membership No. 205703
Place: Bengaluru
Date: 2/5/19

for and on behalf of Board of Directors of
**Trimax Smart Infraprojects Private Limite**

Neil Elijah

**Neil Elijah**
Director
DIN: 06633420

SPMad

**Suryaprakash Sohanlal Madrecha**
Director
DIN: 00232283

Trimax Smart Infra Project Private Limited

## INDEPENDENT AUDITORS' REPORT

**To the members of**
**M/s Simpliance Technologies Private Limited**
**Bangalore**

### Report on the Ind AS Financial Statements

1. We have audited the accompanying Ind AS financial statements of Simpliance Technologies Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss for the year then ended, the statement of cash flows and the statement of changes in equity and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Ind AS Financial Statements

2. The management and Director of the Company are 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 and financial performance of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with rule 7 of Companies (Accounts) Rules, 2014. This responsibility 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; design, implementation and maintenance of adequate internal financial controls, that are 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

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit 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.

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

Simpliance Technologies Pvt. Ltd. Bangalore

4. An audit involves performing procedures to obtain audit evidence about the amounts and 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's management and Board of Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

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

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March 2019, its profit/loss, its cash flows and the changes in equity for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section143 of the Act, we give in the "Annexure A", a statement on the matters Specified in paragraphs 3 and 4 of the Order.

8. As required by section 143(3) of the Act, we further report that:

a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) the Balance Sheet, Statement of Profit and Loss, the cash flows and the statement of changes in equity dealt with by this Report are in agreement with the books of account;

PRAVEEN PRADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

Compliance Technologies Pvt Bangalore

d) in our opinion, the aforesaid Ind AS financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014.

e) on the basis of written representations received from the directors as on March 31, 2019, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

g) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:

   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; as such the question of commenting on any material foreseeable losses thereon does not arise.

   iii. There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of delay in transferring such sums does not arise.

For **Praveen Jayadeep & co.,**

**Chartered Accountants**

FRN:-015597S

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

(Praveen Kumar)

Partner

Membership No.229874

Place: Bangalore

Date:09.05.2019

**Annexure - A to the Auditors' Report:**

**The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone Ind AS financial statements for the year ended 31 March 2019, we report that:**

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company there are no immovable properties are held in the name of the Company.

ii. The Company is a service company, primarily rendering software services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.

iii. The Company has not granted any loans to bodies corporate covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act').

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

v. The Company has not accepted any deposits from the public.

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.

vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales tax, value added tax, duty of customs, GST, service tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance and duty of excise. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

PRAVEEN JAYADEEP & Co.* FRN-015597S Bengaluru. Chartered Accountants

(b) According to the information and explanations given to us, there are no dues of duty of customs which have not been deposited with the appropriate authorities on account of any dispute.

viii. The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has allotted 3405 shares to Quess Corp Limited through preferential allotment or private placement of shares during the year.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **Praveen Jayadeep & co.,**

**Chartered Accountants**

FRN:-015597S

(Praveen Kumar)
Partner
Membership No.229874

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru Chartered Accountants

Place: Bangalore
Date:09.05.2019

Simplilearn Technologies Pvt. Ltd. Bangalore

**Annexure - B to the Auditors' Report:**

**Report on the Internal Financial Controls 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 Simpliance Technologies Private Limited ("the Company") as of 31 March 2019 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 ('ICAI'). 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.

**Auditors' 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") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 judgment, including the assessment of the risks of material misstatement of the Ind AS 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.

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

## SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED

### Balance Sheet

*(Amount in INR)*

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 6,50,681 | 3,45,201 |
| Goodwill | 4 | - | - |
| Other intangible assets | 4 | 94,58,079 | 95,88,021 |
| Intangible assets under development | 4 | - | - |
| **Financial assets** | | | |
| (i) Investments | 5 | - | - |
| (ii) Non-current loans | 6 | - | - |
| (iii) Other non-current financial assets | 7 | 1,50,00,000 | - |
| Deferred tax assets (net) | 8 | - | - |
| Income tax assets (net) | 8 | - | - |
| Other non-current assets | 9 | - | - |
| **Total non-current assets** | | **2,51,08,760** | **99,33,222** |
| **Current assets** | | | |
| Inventories | 10 | - | - |
| **Financial assets** | | | |
| (i) Investments | 11 | - | - |
| (ii) Trade receivables | 12 | 81,31,535 | 53,75,372 |
| (iii) Cash and cash equivalents | 13 | 4,20,760 | 2,18,291 |
| (iv) Bank balances other than cash and cash equivalents above | 14 | - | - |
| (iv) Current loans | 15 | - | - |
| (v) Other current financial assets | 16 | - | - |
| (vi) Unbilled revenue | 17 | - | - |
| Other current assets | 18 | 33,10,009 | 3,27,087 |
| **Total current assets** | | **1,18,62,305** | **59,20,750** |
| **Total assets** | | **3,69,71,064** | **1,58,53,972** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 19 | 2,34,050 | 2,00,000 |
| Other equity | 20 | 3,35,67,636 | 1,01,15,420 |
| **Total equity** | | **3,38,01,686** | **1,03,15,420** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Non-current borrowings | 21 | - | - |
| (ii) Other non-current financial liabilities | 22 | - | - |
| Non-current provisions | 23 | - | - |
| **Total non-current liabilities** | | - | - |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (ii) Current borrowings | 24 | - | 8,00,000 |
| (iii) Trade payables | 25 | - | - |
| (iv) Other current financial liabilities | 26 | 9,54,446 | 22,69,343 |
| Deferred income tax liabilities (net) | 8 | 5,15,271 | 5,59,083 |
| Current provisions | 27 | 6,02,923 | 2,49,001 |
| Other current liabilities | 28 | 10,96,738 | 16,61,126 |
| **Total current liabilities** | | **31,69,378** | **55,38,552** |
| **Total Liabilities** | | **31,69,378** | **55,38,552** |
| **Total Equity and Liabilities** | | **3,69,71,064** | **1,58,53,972** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
*for* **Praveen Jayadeep & Co**
Chartered Accountants
Firm's Registration No.: 015597s

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

**Praveen Kumar**
Partner
Membership No.: 229874

*for* and on behalf of Board of Directors of
**SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED**

**Anil Prem DSouza**
Director

**Hamsa Sharma**
Director

Simpliance Technologies Pvt. Ltd.

Place: Bengaluru
Date: 09-05-2019

**SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED**

| Statement of Profit and Loss | Note | For the year ended | *(Amount in INR)* |
|---|---|---|---|
| | | 31 March 2019 | 31 March 2018 |
| **Income** | | | |
| Revenue from operations | 29 | 2,78,50,811 | 89,72,166 |
| Other income | 30 | 12,82,211 | 4,44,478 |
| **Total income** | | **2,91,33,022** | **94,16,644** |
| **Expenses** | | | |
| Cost of material and stores and spare parts consumed | 31 | - | - |
| Employee benefit expenses | 32 | 1,49,20,721 | 69,18,664 |
| Finance costs | 33 | 16,108 | 1,935 |
| Depreciation and amortisation expense | 34 | 48,46,366 | 39,55,043 |
| Other expenses | 35 | 59,07,372 | 68,96,671 |
| **Total expenses** | | **2,56,90,567** | **1,77,72,313** |
| **Profit before tax** | | **34,42,455** | **(83,55,670)** |
| **Tax expense** | | | |
| Current tax | 8 | | |
| Excess provision of tax relating to earlier years | 8 | | |
| Deferred tax | 8 | (43,812) | 42,417 |
| **Total tax expenses** | | **(43,812)** | **42,417** |
| **Profit for the year** | | **34,86,267** | **(83,98,087)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains / (losses) on defined benefit plans | 44 | | |
| Income tax relating to items that will not be reclassified to profit or loss | | | |
| **Other comprehensive income/ (expense) for the year, net of income tax** | | - | - |
| **Total comprehensive income for the year** | | **34,86,267** | **(83,98,087)** |
| **Earnings per equity share (face value of Rs 10 each)** | | | |
| Basic (in Rs) | 42 | 149 | (420) |
| Diluted (in Rs) | 42 | 149 | (420) |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
*for* **Praveen Jayadeep & Co**
Chartered Accountants
Firm's Registration No.: 015597s

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

**Praveen Kumar**
Partner
Membership No.: 229874

*for* and on behalf of Board of Directors of
**SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED**

**Anil Prem DSouza**
Director

**Hansa Sharma**
Director

Simpliance Technologies Pvt. Ltd. Bangalore

Place: Bengaluru
Date: 09-05-2019

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED

Statement of Changes in Equity for the year ended 31 March 2019

**(A) Equity share capital**

*(Amount in INR)*

| Particulars | Note | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| Opening balance | 19 | 2,00,000.00 | 2,00,000.00 |
| Changes in equity share capital | 19 | 2,34,050.00 | - |
| **Closing balance** | | **4,34,050.00** | **2,00,000.00** |

**(B) Other equity**

*(Amount in INR)*

| Particulars | Note | Reserves and surplus | | | | | | | Other items of other comprehensive income | Total equity attributable to equity holders of the Company |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Securities premium | Retained earnings | Capital reserve | General reserve | Stock options outstanding account | Debenture redemption reserve | Other Reserves | Remeasurement of the net defined benefit liability/asset | |
| **Balance as of 1 April 2017** | | 1,12,59,320 | - | - | (63,96,494) | - | - | - | - | 48,62,826 |
| Add: Premium received on issue of equity shares | 20 | 1,36,50,680 | | | | | | | | 1,36,50,680 |
| Less: Share issue expenses | 20 | | | | | | | | | |
| Add: Profit for the year | | | | | (83,98,087) | | | | | (83,98,087) |
| Less: Premium on allotment of ESOP | 20 | | | | | | | | | |
| Add: Other comprehensive income (net of tax) | | | | | | | | | | |
| Add: Commitment to issue shares | 20 | | | | | | | | | |
| Add: Transfer to debenture redemption reserve | 20 | | | | | | | | | |
| **Balance as of 31 March 2018** | | **2,49,10,000** | - | - | **(1,47,94,580)** | - | - | - | - | **1,01,15,420** |
| **Balance as of 1 April 2018** | | **2,49,10,000** | - | - | **(1,47,94,580)** | - | - | - | - | **1,01,15,420** |
| Add: Premium received on issue of equity shares | 20 | 1,99,65,950 | | | | | | | | 1,99,65,950 |
| Less: Share issue expenses | 20 | | | | | | | | | - |
| Add: Profit for the year | | | | | 34,86,267 | | | | | 34,86,267 |
| Add: Share based payments | 20 | | | | | | | | | - |
| Less: Issure of Shares against commiments | | | | | | | | | | - |
| Add: Other comprehensive income (net of tax) | | | | | | | | | | - |
| Add: Transfer to debenture redemption reserve | 20 | | | | | | | | | - |
| **Balance as of 31 March 2019** | | **4,48,75,950** | - | - | **(1,13,08,314)** | - | - | - | - | **3,35,67,636** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
*for* **Praveen Jayadeep & Co**
Chartered Accountants
Firm's Registration No.: 015597s

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

**Praveen Kumar**
Partner
Membership No.: 229874

*for* and on behalf of Board of Directors of
**SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED**

**Anil Prem DSouza**
Director

**Hansa Sharma**
Director

Simpliance Technologies Pvt. Ltd. Bangalore

Place: Bengaluru
Date: 09-05-2019

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the Standalone financial statements for the year ended 31 March 2019

3 Property, plant and equipment

(Amount in INR)

| Particulars | Leasehold improvements | Furniture and fixtures | Vehicles | Office equipment | Plant and machinery | Computer equipment | Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount as at 1 April 2017** | | 8,950.00 | - | 44,512.00 | - | 6,77,115.00 | 7,30,577.00 |
| Additions on merger | | | | | | | - |
| Additions during the year | | - | | 33,499.00 | | 2,63,097.00 | 2,96,596.00 |
| Disposals during the year | | | | | | | - |
| **Balance as at 31 March 2018** | - | 8,950.00 | - | 78,011.00 | - | 9,40,212.00 | 10,27,173.00 |
| Additions during the year | | 13,195.00 | | 8,999.00 | | 6,27,391.68 | 6,49,585.68 |
| Disposals during the year | | | | | | | - |
| **Balance as at 31 March 2019** | | 22,145.00 | | 87,010.00 | | 15,67,603.68 | 16,76,758.68 |
| **Accumulated depreciation as at 1 April 2017** | | 1,695.00 | - | 9,201.00 | - | 2,01,580.00 | 2,12,476.00 |
| Additions on merger | | | | | | | - |
| Depreciation for the year | | 1,878.00 | | 30,603.00 | | 4,37,015.00 | 4,69,496.00 |
| Accumulated depreciation on deletions | | | | | | | - |
| **Balance as at 31 March 2018** | - | 3,573.00 | - | 39,804.00 | - | 6,38,595.00 | 6,81,972.00 |
| Depreciation for the year | | 2,880.00 | | 23,310.00 | | 3,17,916.00 | 3,44,106.00 |
| Accumulated depreciation on deletions | | | | | | | - |
| **Balance as at 31 March 2019** | | 6,453.00 | | 63,114.00 | | 9,56,511.00 | 10,26,078.00 |
| **Net Carrying amount** | | | | | | | |
| **As at 31 March 2019** | - | 15,692.00 | - | 23,896.00 | - | 6,11,092.68 | 6,50,680.68 |
| **As at 31 March 2018** | - | 5,377.00 | - | 38,207.00 | - | 3,01,617.00 | 3,45,201.00 |
| **As at 1 April 2017** | - | 7,255.00 | - | 35,311.00 | - | 4,75,535.00 | 5,18,101.00 |

There has been no impariment loss recognised during the year or previous year.

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

Simpliance Technologies Pvt. Ltd. Bangalore

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the Standalone financial statements for the year ended 31 March 2019

## 4 Intangible assets and Intangible assets under development

*(Amount in INR )*

| Particulars | Goodwill (refer note 4.1) | Other intangible assets: Brand value of business acquired (refer note 4.2) | Computer software | Computer software -others | Total other intangible assets | Intangible assets under development (refer note 4.3) |
|---|---|---|---|---|---|---|
| **Gross carrying amount as at 1 April 2017** | | | 56,18,874.40 | 1,69,854.56 | 57,88,728.96 | |
| Additions on merger | | | - | | | |
| Additions during the year | | | 80,75,758.00 | - | 80,75,758.00 | - |
| Disposals for the year | | | | | | |
| **Balance as at 31 March 2018** | - | - | 1,36,94,632.40 | 1,69,854.56 | 1,38,64,486.96 | - |
| Additions during the year | | | 43,72,318.00 | - | 43,72,318.00 | - |
| Disposals for the year | | | | | | - |
| **Balance as at 31 March 2019** | | | 1,80,66,950.40 | 1,69,854.56 | 1,82,36,804.96 | - |
| **Accumulated amortisation as at 1 April 2017** | - | | 7,72,823.00 | 18,096.00 | 7,90,919.00 | - |
| Additions on merger | - | | | | | |
| Amortization for the year | - | | 34,18,794.00 | 66,753.00 | 34,85,547.00 | - |
| Accumulated amortization on deletions | - | | | | | - |
| **Balance as at 31 March 2018** | - | - | 41,91,617.00 | 84,849.00 | 42,76,466.00 | - |
| Amortization for the year | | | 44,66,058.00 | 36,202.00 | 45,02,260.00 | - |
| Accumulated amortization on deletions | | | - | | - | |
| **Balance as at 31 March 2019** | | | 86,57,675.00 | 1,21,051.00 | 87,78,726.00 | - |
| **Net Carrying amount** | | | | | | |
| **As at 31 March 2019** | - | - | 94,09,275.40 | 48,803.56 | 94,58,078.96 | - |
| **As at 31 March 2018** | - | - | 95,03,015.40 | 85,005.56 | 95,88,020.96 | - |
| **As at 1 April 2017** | - | - | 48,46,051.40 | 1,51,758.56 | 49,97,809.96 | - |

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

Simpliance Technologies Pvt. Ltd. Bangalore

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the Standalone financial statements for the year ended 31 March 2019

5 **Non-current investments**

| Particulars | As at 31 March 2019 | As at 31 March 2018 | (Amount in INR) As at 1 April 2017 |
|---|---|---|---|
| **I. Unquoted equity instruments - trade** | | | |
| **Investment in subsidiaries at cost** | | | |
| **Investments in associates at cost** | | | |
| **Total unquoted investments in equity instruments** | - | - | - |
| **II. Unquoted preference shares** | | | |
| **Investment in preference shares at fair value** | | | |
| **Total unquoted investments in preference shares** | - | - | - |
| **Total non-current investments** | - | - | - |
| Aggregate value of unquoted investments | - | - | - |
| Aggregate amount of impairment in value of investments | - | - | - |

6 **Non current loans**

| | Particulars | As at31 March 2019 | As at31 March 2018 | (Amount in INR) As at1 April 2017 |
|---|---|---|---|---|
| | *Unsecured, considered good* | | | |
| 10 | Security deposits | | | |
| | | - | - | - |

7 **Other non-current financial assets**

| | Particulars | As at31 March 2019 | As at31 March 2018 | (Amount in INR) As at1 April 2017 |
|---|---|---|---|---|
| 10 | Bank deposits (due to mature after 12 months from the reporting date) | 1,50,00,000 | | |
| | | **1,50,00,000** | - | - |

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the Standalone financial statements for the year ended 31 March 2019

8 **Taxes**

**A Amount recognised in profit or loss**

*(Amount in INR)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| *Current tax:* | | |
| In respect of the current period | | |
| Excess provision related to prior years (refer note (i) belo | | |
| *Deferred tax:* | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | | |
| Increase/ reduction of tax rate | | |
| **Income tax expense reported in the Statement of profit and loss** | - | - |

(i) As per the amendment in the Finance Act 2016, deduction under Section 80JJAA of Income Tax Act, 1961 was extended across all sectors subject to fulfilment of conditions as stipulated in the said Section. The amendment was first applicable for the financial year ended 31 March 2017.
Since the provision was subject to a number of clarifications and interpretations, the Company had obtained an opinion from an external advisor establishing its eligibility and method to compute deduction under Section 80JJAA in the previous quarter. Resultantly, the Company had accounted for 80JJAA deduction and the related deduction for the year ended 31 March 2019 in the current year.

**B Income tax recognised in other comprehensive income**

*(Amount in INR)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Remeasurement of the net defined benefit liability/ asset: | | |
| Before tax | | |
| Tax (expense)/ benefit | | |
| **Net of tax** | - | |
| | - | - |

**C Reconciliation of effective tax rate**

*(Amount in INR)*

| Particulars | For the year ended | | |
|---|---|---|---|
| | 31 March 2019 | | 31 March 2018 |
| Profit before tax | | | |
| Tax using the Company's domestic tax rate | | | |
| **Effect of:** | | | |
| Tax exempt income | | | |
| Non-deductible expenses | | | |
| **Effective tax rate** | | 0.00% | - |
| Less: Excess provisions relating to earlier years | | - | - |
| **Income tax expense reported in the Statement of profit and loss** | | 0.00% | - |

**D The following table provides the details of income tax assets and income tax liabilities as of 31 March 2019, 31 March 2018 and 1 April 2017**

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Income tax assets | - | - | - |
| Income tax liabilities | 5,15,271 | 5,59,083 | 5,16,666 |
| **Net income tax liability at the end of the year** | 5,15,271 | 5,59,083 | 5,16,666.00 |

**E Deferred tax liability, net**

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | | |
| **Deferred tax asset:** | | | |
| Impairment loss allowance on financial assets | | | |
| Provision for employee benefits | | | |
| Provision for disputed claims | | | |
| Provision for rent escalation | | | |
| Others | | | |
| **Deferred tax liabilities:** | | | |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | 5,15,271 | 5,59,083 | 5,16,666.00 |
| Net deferred tax Liability | 5,15,271 | 5,59,083 | 5,16,666.00 |

PRAVEEN JAYADEEP & CO
FRN-015597S
Bengaluru
Chartered Accountants

Simpliance Technologies Pvt. Ltd.
Bangalore

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the Standalone financial statements for the year ended 31 March 2019

F Recognised deferred tax assets and liabilities
Movement of deferred tax assets / liabilities presented in the balance sheet

(Amount in INR)

| For the year ended 31 March 2019 | Opening balance | Recognised in profit or loss | Recognised in OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax asset on:** | | | | |
| Short depreciation provided for in the books over the depreciation allowed under the Income tax laws | 5,59,083 | (43,812) | - | 5,15,271 |
| **Gross deferred tax liability** | **5,59,083** | **(43,812)** | **-** | **5,15,271** |
| **Deferred tax assets on:** | | | | |
| Impairment loss allowance on financial assets | | | | - |
| Provision for employee benefits | | | | - |
| Provision for disputed claims | | | | - |
| Provision for rent escalation | | | | - |
| Others | | | | - |
| **Gross deferred tax assets** | - | - | - | - |
| **Net deferred tax Liability** | **5,59,083** | **(43,812)** | - | **5,15,271** |

(Amount in INR)

| For the year ended 31 March 2018 | Opening balance | Recognised in profit or loss | Recognised in OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax liability on:** | | | | |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | 5,16,666 | 42,417 | - | 5,59,083 |
| **Gross deferred tax liability** | **5,16,666.00** | **42,417** | - | **5,59,083** |
| **Deferred tax assets on:** | | | | |
| Impairment loss allowance on financial assets | | | | |
| Provision for employee benefits | | | | |
| Provision for disputed claims | | | | |
| Provision for rent escalation | | | | |
| Others | | | | |
| **Gross deferred tax assets** | - | - | - | - |
| **Net deferred tax Liability** | **5,16,666.00** | **42,417** | - | **5,59,083** |

**8 Deferred income tax liabilities (net)**

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | | |
| **Deferred tax asset on liabilities:** | | | |
| Impairment loss allowance on financial assets | | | |
| Provision on employee benefits- Gratuity | | | |
| Provision on employee benefits- Compensated absences | | | |
| Deffered Tax on Bonus | | | |
| Provision for disputed Claims | | | |
| Interest on Service Tax | | | |
| Provision for rent Escalation | | | |
| Present Valuation of Financial Instruments | | | |
| Deferred Tax others | | | |
| **Deferred tax asset on assets:** | | | |
| Deffered tax on fixed assets | 5,15,271 | 5,59,083 | 5,16,666.00 |
| Net deferred tax assets | **5,15,271** | **5,59,083** | **5,16,666.00** |

**8 Income tax assets (net)**

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Advance income tax | | | |
| Minimum alternate tax credit entitlement | | | |
| | - | - | - |

**9 Other non-current assets**

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| *(Unsecured and considered good)* | | | |
| Taxes paid under protest | | | |
| Provident fund payments made under protest | | | |
| Prepaid expenses | | | |
| Capital advances | | | |
| | - | - | - |

**10 Inventories**

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| *Valued at lower of cost and net realizable value* | | | |
| Raw material and consumables | | | |
| Stores and spares | | | |
| | - | - | - |

**11 Current investments**

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Investments in liquid mutual fund units | | - | |
| | - | - | |

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Bangalore

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the Standalone financial statements for the year ended 31 March 2019

12 Trade receivables

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| **Unsecured** | | | |
| Considered good | 81,31,535 | 53,75,372 | 14,93,886.02 |
| Considered doubtful | | | |
| | 81,31,535 | 53,75,372 | 14,93,886.02 |
| **Loss allowance [refer note 37]** | | | |
| Unsecured considered good | | | |
| Doubtful | | | |
| | - | - | - |
| **Net trade receivables** | 81,31,535 | 53,75,372 | 14,93,886.02 |

All trade receivables are current.

Of the above , trade receivables from related party are as below:

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Trade receivables from related parties | | | |
| Less: Loss allowance | | | |
| **Net trade receivables** | - | - | - |

13 Cash and cash equivalents

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| ***Cash and cash equivalents*** | | | |
| Cash in hand | | | |
| Cheque in hand | | | |
| Balances with banks | | | |
| In current accounts | 4,20,760 | 2,18,291 | 34,858.00 |
| In deposit accounts (with original maturity of 3 months) | | | |
| **Cash and cash equivalents in balance sheet** | 4,20,760 | 2,18,291 | 34,858.00 |
| Bank overdraft used for cash management purpose | | | |
| **Cash and cash equivalent in the statement of cash flow** | 4,20,760 | 2,18,291 | 34,858.00 |

14 Bank balances other than cash and cash equivalents

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| In deposit accounts (mature within 12 months from the reporting date) | | | |
| | - | - | - |

15 Current loans

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| *Unsecured, considered good* | | | |
| Security deposits | | | |
| *Other loans and advances* | | | |
| Loans to employees* | | | |
| Loans to group entities (refer note 42) | | | |
| | - | - | - |

*There is no loss allowance required to be created for loans to employees as these are in the nature of advance given to employees for operating purpose.

16 Other current financial assets

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Interest accrued but not due | | | |
| Interest receivable from related parties (refer note 42) | | | |
| | - | - | - |

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Simpliance Technologies Pvt. Ltd. Bangalore

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the Standalone financial statements for the year ended 31 March 2019

## 17 Unbilled revenue

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Unbilled revenue* | | | |
| | - | - | - |

*includes unbilled revenue billable to related parties (refer note 42)

## 18 Other current assets

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Advances to suppliers | | | |
| Travel advances to employees | | | |
| Other advances | | | |
| Prepaid expenses | | | |
| Balances with government authorities(TDS) | 33,10,009 | 3,27,087 | 21,430.00 |
| Due from related parties* | | | |
| | **33,10,009** | **3,27,087** | **21,430.00** |

* includes receivables from related parties (refer note 42)

## 19 Equity share capital

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| **Authorised** | | | |
| 100000 (31 March 2019: 100000) equity shares of par value of Rs 10 each* | 10,00,000 | 10,00,000 | 10,00,000 |
| | **10,00,000** | **10,00,000** | **10,00,000** |
| **Issued, subscribed and paid-up** | | | |
| 23,405(31 March 2018: 20,000) equity shares of par value of Rs 10 each, fully paid up | 2,34,050 | 2,00,000 | 1,50,680 |
| | **2,34,050** | **2,00,000** | **1,50,680** |

## 19.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR | Number of shares | Amount in INR |
| **Equity shares** | | | | |
| At the commencement of the year | 20,000 | 2,00,000 | 15,068 | 1,50,680 |
| Add: Shares issued on exercise of employee stock options (refer note 46) | | | - | - |
| Add: Shares issued on during the year | 3,405 | 34,050 | 4,932 | 49,320 |
| Add: Shares issued on Institutional Private Placement | | | - | - |
| **At the end of the year** | **23,405** | **2,34,050** | **20,000** | **2,00,000** |

## 19.2 Shares held by Holding Company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in INR | Number of shares | Amount in INR |
| Equity shares | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 12,405 | 1,48,860 | 9,000 | 90,000 |
| | **12,405** | **1,48,860** | **9,000** | **90,000** |

## 19.3 Details of shareholders holding more than 5% shares in the Company

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % held | Number of shares | % held |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 12,405 | 53.00% | 9,000 | 45.00% |
| Anil Prem D'Souza | 2,750 | 11.75% | 2,750 | 13.75% |
| Hansa Sharma | 1,650 | 7.05% | 1,650 | 8.25% |
| Madhu Damodaran | 1,650 | 7.05% | 1,650 | 8.25% |
| Preetha Chrisma D'Souza(Representing Cbensol as Partner) | 2,200 | 9.40% | 2,200 | 11.00% |
| Subramanyam Raju | 1,100 | 4.70% | 1,100 | 5.50% |
| Veena Nataraju | 1,650 | 7.05% | 1,650 | 8.25% |
| | **23,405** | 100.00% | **20,000** | 100.00% |

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SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED

Notes to the Standalone financial statements for the year ended 31 March 2019

19.4 The Company has not made any buy back of shares or issued any shares for consideration other than cash, during the period of five years immediately preceding the balance sheet date. However the Company has issued bonus shares in the previous financial year and equity shares have been issued under Employee Stock option plan for which only exercise price has been received in cash (refer note 46)

*(Values in numbers)*

| Particulars | 31 March 2019 | 31 March 2018 | 31 March 2017 | 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|---|
| Bonus shares issued | | | | | |
| Shares issued on exercise of employee stock options (refer note 46) | | | | | |

20 Other equity*

*(Amount in INR )*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Securities premium account (refer note 20.1) | 4,48,75,950 | 2,49,10,000 | 1,12,59,320 |
| Stock options outstanding account (refer note 20.2) | | | |
| Capital reserve account | | | |
| Debenture redemption reserve (refer note 20.3) | | | |
| General reserve account | | | |
| Other comprehensive income | (1,47,94,580) | (63,96,494) | |
| Retained earnings | | | |
| Balance in statement of profit and loss at the end of the period* | 34,86,267 | (83,98,087) | (63,96,494) |
| | 3,35,67,636 | 1,01,15,420 | 48,62,826 |

* For detailed movement of reserves refer Statement of Changes in Equity.

20.1 Securities premium

Securities premium is used to record the premium received on issue of shares.

20.2 Share option outstanding account

The stock option outstanding account is used to recognise the grant date fair value of option issued to employees under employee stock option scheme.

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* For detailed movement of reserves refer Statement of changes in Equity.

## 21 Non-current borrowings

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| *Secured* | | | |
| Non convertible debentures (refer note 21.2) | | | |
| *Unsecured* | | | |
| Vehicle loan | | | |
| **Total borrowings** | - | - | - |
| Less: Current maturities of long-term borrowings (refer note 26) | - | | |
| **Total non-current borrowings** | - | - | - |

**Terms of repayment schedule**

21.1 Terms and condition of outstanding borrowings are as follows:

(Amount in INR)

| Particulars | Coupon/ Interest rate | Year of maturity | Carrying amount as at 31 March 2019 | Carrying amount as at 31 March 2018 | Carrying amount as at 1 April 2017 |
|---|---|---|---|---|---|
| Secured non-convertible debentures | | | | | |
| Unsecured vehicle loan | | | | | |
| **Total borrowings** | | | - | - | - |

## 21.2 Non-convertible debentures

(Amount in INR)

| Particulars | Amount |
|---|---|
| Proceeds from issue of non- convertible debentures (1500 debentures at Rs.10 lakhs face value) | |
| Less: Transaction costs | |
| **Net proceeds** | - |
| Add: Accrued transaction costs as at March 2018 | |
| **Carrying amount of liability at 31 March 2018** | - |
| Add: Accrued transaction costs as at July 2018 | |
| **Carrying amount of liability at 31 March 2019** | - |

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## 22 Other non-current financial liabilities

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Payable to erstwhile minority shareholders* | | | |
| Non-controlling interests put option | | | |
| | - | - | - |

## 23 Non-current provisions

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| **Provision for employee benefits** | | | |
| Provision for gratuity | | | |
| **Others** | | | |
| Provision for disputed claims | | | |
| Provision for rent escalation | | | |
| | - | - | - |

23.1 The disclosures of provisions movement as required under the provisions of Ind AS 37 as follows:

**Provision for disputed claims**

(Amount in INR)

| Particulars | Amount |
|---|---|
| **Balance as at 1 April 2017** | - |
| Provision recognized/(reversed) | - |
| Provision utilized | - |
| **Balance at the end of 31 March 2018** | - |
| Provision recognized/(reversed) | |
| Provision utilized | |
| **Balance at the end of 31 March 2019** | - |

## 24 Current borrowings

(Amount in INR)

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Loans from related parties, Unsecured | - | 8,00,000 | 1,00,000.00 |
| Loans from bank repayable on demand | | | |
| *Secured* | | | |
| Cash credit and overdraft facilities (refer note 24.1) | | | |
| Bill discounting facility from bank (refer note 24.2) | | | |
| Working capital loan (refer note 24.3) | | | |
| Bank overdraft (refer note 13) | - | | |
| | - | 8,00,000 | 1,00,000.00 |

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25 **Trade payables**

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Dues to micro, small and medium enterprises (refer note 45) | | | |
| Trade payables to related parties (refer note 42) | | | |
| Other trade payables | | | |
| | - | - | - |

All trade payables are current.
The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 37

26 **Other current financial liabilities**

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Current maturities of long-term borrowings (refer note 21) | | | |
| Balances payable to government authorities | 9,54,446 | 4,12,473 | 2,71,901.00 |
| Amount payable to related parties | - | 18,56,869 | 10,68,690.00 |
| Interest accrued and not due | | | |
| Financial guarantee liability | | | |
| Capital creditors | | | |
| ***Other Payables*** | | | |
| Payable to erstwhile minority shareholders | | | |
| Accrued salaries and benefits | | | |
| Provision for bonus and incentive* | | | |
| Uniform deposits | | | |
| | **9,54,446** | **22,69,343** | **13,40,591.00** |

27 **Current provisions**

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| **Provision for employee benefits** | | | |
| Provision for gratuity (refer note 44) | 6,02,923 | 2,49,001.00 | |
| Provision for compensated absences | | | |
| **Other provisions** | | | |
| Provision for warranty | | | |
| Provision for onerous contracts | | | |
| | **6,02,923** | **2,49,001.00** | **-** |

28 **Other current liabilities**

*(Amount in INR)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Income received in advance (Deferred Revenue) | 1,11,294 | | |
| Advance received from customers | | | |
| Balances payable to government authorities | | | |
| Provision for expenses* | 9,85,444 | 16,61,126 | 2,48,950.00 |
| Provision for rent escalation | | | |
| Amount payable to related parties | | | |
| Book overdraft | | | |
| | **10,96,738** | **16,61,126** | **2,48,950.00** |

*includes amount payable to related parties (refer note 42)

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## 29 Revenue from operations

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Software sales and maintenance | 2,78,50,811 | 89,72,166 |
| | 2,78,50,811 | 89,72,166 |

## 30 Other income

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest income under the effective interest method on: | | |
| Deposits with banks | - | - |
| Interest income on present valuation of financial instruments | 4,45,218 | - |
| Consultancy Fee Received | - | - |
| Profit on sale of property, plant and equipment and intangible assets | - | 4,44,478 |
| Dividend income on mutual fund units | - | - |
| Dividend income on other investments | - | - |
| Interest on loans given to related parties (**refer note 42**) | - | - |
| Rent from letting out properties | - | - |
| Liabilities no longer required written back | - | - |
| Change in fair value of contingent consideration | - | - |
| Interest on Income Tax Refund | - | - |
| Miscellaneous income (Rent paid reversed) | 10,270 | - |
| | 8,26,723 | - |
| | 12,82,211 | 4,44,478 |

## 31 Cost of material and stores and spare parts consumed

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Inventory at the beginning of the year | | |
| Add: Purchases | | |
| Less: Inventory at the end of the year | | |
| **Cost of materials and stores and spare parts consumed** | | |

## 32 Employee benefits expense

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and wages | 1,39,18,556 | 63,00,270 |
| Contribution to provident and other funds | 5,53,264 | 3,41,493 |
| Expenses related to post-employment defined benefit plan | 2,89,429 | 1,26,318 |
| Expenses related to compensated absences | - | - |
| Staff welfare expenses | 1,59,472 | 1,50,583 |
| Expense on employee stock option scheme | - | - |
| | 1,49,20,721 | 69,18,664.00 |

## 33 Finance costs

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest expense | 7,629 | |
| Bank Charges & Credit Card Charges | 8,479 | 1,935 |
| | 16,108 | 1,935 |

## 34 Depreciation and amortisation expense

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 3,44,106 | 4,69,496 |
| Amortisation of intangible assets (refer note 3) | 45,02,260 | 34,85,547 |
| | 48,46,366 | 39,55,043 |

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## 35 Other expenses

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Adwords Charges | - | 5,25,141 |
| Bad debts-Written off | 35,400 | |
| Book Keeping Charges | 13,800 | 30,000 |
| Books & Typing Charges | - | 1,39,317 |
| Consultancy Fee Paid | 21,96,745 | 19,06,409 |
| Commission on Sales | - | 2,24,700 |
| Couruer Charges | 100 | - |
| Interest on Late payment of TDS | - | 5,145 |
| MCA Filing Charges | - | 2,700 |
| Online Sales charges | 17,902 | 4,617 |
| Professional Tax | 2,500 | 2,500 |
| Promotional & Marketing Exps | 1,29,497 | 3,38,573 |
| Round Off | 764 | 18,662 |
| Software Development Charges | 16,24,123 | 15,11,864 |
| Sponsorship Charges | 90,000 | 6,50,000 |
| Sundry Office Exps | - | 3,500 |
| Subscription charges | 6,372 | 9,751 |
| Telephone & Mobile Phone Expenses | 2,64,493 | 2,54,906 |
| Website Charges-Alexa | 70,841 | 63,782 |
| Recruitment and training expenses | - | 14,042 |
| IT Maintenance | 3,446 | 90,823 |
| Repairs & maintenance | 92,104 | 20,559 |
| Rates and taxes | - | 8,624 |
| Printing and stationery | 1,04,616 | 2,84,442 |
| Travelling and conveyance | 12,29,669 | 7,61,613 |
| | **58,82,372** | **68,71,671** |

## 35.1 Payment to auditors (net of service tax; included in legal and professional fees)

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 25,000 | 25,000.00 |
| Tax audit fees | - | - |
| | **25,000** | **25,000.00** |

## 35.2 Details of CSR expenditure

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on Corporate Social Responsibility ("CSR") activities. The areas for CSR activities are eradication of hunger and malnutrition, promoting education, art and culture, healthcare, destitute care and rehabilitation, environment sustainability, disaster relief and rural development projects. A CSR committee has been formed by the company as per the Act. The funds required to be spent and funds spent during the year are explained

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| a) Gross amount required to be spent by the Company during the year | | |
| b) Amount spent during the year | | |
| i) Construction or acquisition of any asset | | |
| ii) On purpose other than i) above | | |

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**Computation of weighted average number of shares**

*(Amount in numbers)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Number of equity shares outstanding at beginning of the year | 20,000 | 15,068 |
| Number of equity shares Alloted during the year | | |
| Add: Weighted average number of equity shares issued during the year | 3,405 | 4,932 |
| Weighted average number of shares outstanding at the end of year for computing basic earnings per share | 23,405 | 20,000 |
| Add: Impact of potentially dilutive equity shares | | |
| Weighted average number of shares outstanding at the end of year for computing diluted earnings per share | 23,405 | 20,000 |

43 **Earnings in foreign currency**

*(Amount in Reporting Currency)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Staffing and recruitment services | - | - |
| Operation and maintenance | - | - |
| Software and solution business | - | - |
| *Any other, please specify below* | - | - |
| | - | - |
| | - | - |

44 **Expenditure in foreign currency**

*(Amount in Reporting Currency)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Sub-contractor charges | - | - |
| Recruitment and training expenses | - | - |
| Rent | - | - |
| Power and fuel | - | - |
| Repairs & maintenance | - | - |
| - buildings | - | - |
| - plant and machinery | - | - |
| - others | - | - |
| Legal and professional fees | - | - |
| Rates and taxes | - | - |
| Printing and stationery | - | - |
| Consumables | - | - |
| Travelling and conveyance | - | - |
| Communication expenses | - | - |
| Equipment hire charges | - | - |
| Insurance | - | - |
| Database access charges | - | - |
| Bank charges | - | - |
| Business promotion and advertisement expenses | - | - |
| Expenditure on corporate social responsibility | - | - |
| Miscellaneous expenses | - | - |
| | - | - |

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C **Major customer**

List of the customers of the Company has revenue which is more than 10 % of the Company's total revenue

| | | |
|---|---|---|
| 1) Coachieve Solutions Private Limited | 1,50,99,152 | 74,50,762 |
| 2) Cushman & Wakefield Property Management Services | 26,88,125 | - |

## 45 Related party disclosures

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| CBENSOL | Entity which Key Managerial Personnel has Significant Influence |
| Quess Corp Limited | Other Related Party |
| **Key executive management personnel** | |
| **Name** | **Designation** |
| Hansa Sharma | Directors |
| Anil Prem D'souza | Directors |

**(ii) Related party transactions during the year**

| Particulars | | (Amount in Reporting Currency) 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Revenue from operations** | | - | - |
| **Other expenses** | | | |
| | Anil Prem D'souza-Salary | 23,78,400 | 23,78,400.00 |
| | Hansa Sharma-Salary | 9,71,904 | 9,21,600.00 |
| | CBENSOL-Consultancy charges | 2,85,000 | 14,78,885.00 |
| **Finance costs** | | | |
| - Interest expense | | - | - |
| - Interest income | | - | - |
| **Payment made by related parties on behalf of the Company** | | - | - |
| **Purchase consideration** | | | |
| - Purchase consideration paid | | - | - |
| - Additional consideration | | - | - |
| **Loans given to related parties** | | - | - |
| **Repayment of loans taken from related parties** | | - | - |
| **Guarantees provided to banks on behalf of associates** | | - | - |
| **Purchase of intangible asset** | | - | - |
| **Any other, please specify** | | - | - |

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(iii) **Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Reporting Currency)*

| Particulars | | As at31 March 2019 | As at31 March 2018 | As at 1 April 2017 |
|---|---|---|---|---|
| **Trade receivables (gross of loss allowance)** | | | | |
| | | - | - | - |
| **Trade payables** | | | | |
| | Anil Prem D'Souza | - | 4,27,682 | 1,86,967.00 |
| | Cbensol | - | 6,02,464 | 55,000.00 |
| | Quess Corp Ltd (Rent Payable) | - | 8,26,723 | 8,26,723.00 |
| | | - | **18,56,869** | **10,68,690.00** |
| **Unbilled revenue** | | | | |
| | | - | - | - |
| **Consideration payable** | | | | |
| | | - | - | - |
| **Contingent consideration payable** | | | | |
| | | - | - | - |
| **Current borrowings** | | | | |
| | | - | - | - |
| **Current loans** | | | | |
| | Hansa Sharma | - | 8,00,000 | 1,00,000.00 |
| **Unbilled revenue** | | | | |
| | | - | - | - |
| **Guarantee outstanding** | | | | |
| | | - | - | - |
| **Any other, please specify** | | | | |
| | | - | - | - |

(v) **Compensation of key managerial personnel***

*(Amount in Reporting Currency)*

| Particulars | For the period from 1 April 2018 to 31 March 2019 | For the period from 1 April 2017 to 31 March 2018 |
|---|---|---|
| | | - |
| | | - |
| | - | - |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences since provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date except for "Contingent consideration payable" where the payments will be settled as per the terms of the SPA. None of the balances are secured.

**46 Leases**

***Operating Leases***

The Company has taken on lease offices and residential premises under operating leases. The leases typically run for a period of one to ten years, with an option to renew the lease after that period. Lease payments are renegotiated at the time of renewal.

The Company has purchased vehicle from HDFC Bank Ltd on finance lease. The total future minimum lease payments at the balance sheet date, element of interest included in such payments, and present value of these minimum lease payments are as follows:

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

*(Amount in Reporting Currency)*

| Particulars | As at31 March 2019 | As at31 March 2018 |
|---|---|---|
| Payable within 1 year | - | - |
| Payable between 1-5 years | - | - |
| Payable later than 5 years | - | - |
| | - | - |

*(Amount in Reporting Currency)*

| Particulars | For the year ended 31 March 2019 | 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | - | - |
| - Non-cancellable | - | - |
| - Cancellable | - | - |

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The Company has purchased assets under finance lease. The lease agreement is for a period of 36 months. The minimum lease payments and their present values for the finance lease, for the following periods are as follows:

(Amount in Reporting Currency)

| Particulars | As at31 March 2019 | As at31 March 2018 |
|---|---|---|
| Payable within 1 year | - | - |
| Payable between 1-5 years | - | - |
| Payable later than 5 years | - | - |
| **Total** | - | - |
| Less: Finance charges | - | - |
| **Present value of minimum lease payments** | - | - |

47 **Assets and liabilities relating to employee benefits**
**This section is applicable to Indian entities**

(Amount in Reporting Currency)

The Company operates post-employment defined benefit plan that provide gratuity. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Scheme is funded through an insurance policy with SBI life insurance at Global technology solutions division and with LIC at all other divisions. The Company accrued gratuity under the provisions of the Payment of Gratuity Act, 1972 as applicable as at the balance sheet date and the maximum payment is restricted to (Amount).

| Particulars | As at31 March 2019 | As at31 March 2018 | As at 1 April 2017 |
|---|---|---|---|
| Net defined benefit liability, gratuity plan | - | - | - |
| Liability for compensated absences | - | - | - |
| **Total employee benefit liability** | - | - | - |
| Current | | | |
| Non-current | 6,02,923 | 2,49,001.00 | - |
| | - | - | - |
| | 6,02,923 | 2,49,001.00 | - |

For details about employee benefit expenses, see note

B **Reconciliation of net defined benefit liability/ asset**
The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

(Amount in Reporting Currency)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| ***Reconciliation of present value of defined benefit obligation*** | | |
| Obligation at the beginning of the year | | |
| Additions through business combination | 2,49,001 | - |
| Current service cost | - | - |
| Interest cost | 3,53,922 | 2,49,001.00 |
| Past service cost | - | - |
| Benefit settled | - | - |
| Actuarial (gains)/ losses recognised in other comprehensive income | - | - |
| - Changes in experience adjustments | - | - |
| - Changes in demographic assumptions | - | - |
| - Changes in financial assumptions | - | - |
| **Obligation at the end of the year** | - | - |
| | 6,02,923 | 2,49,001.00 |
| ***Reconciliation of present value of plan assets*** | | |
| Plan assets at the beginning of the year, at fair value | | |
| Additions through business combination | - | - |
| Interest income on plan assets | - | - |
| Remeasurement- actuarial gain/(loss) | - | - |
| Return on plan assets recognised in other comprehensive income | - | - |
| Contributions | - | - |
| Benefits settled | - | - |
| **Plan assets as at the end of the year** | - | - |
| **Net defined benefit liability** | - | - |
| | 6,02,923 | 2,49,001.00 |

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C i) Expense recognised in profit or loss

*(Amount in Reporting Currency)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Current service cost | 3,53,922 | 2,49,001.00 |
| Interest cost | - | - |
| Past service cost | - | - |
| Interest income | - | - |
| **Net gratuity cost** | 3,53,922 | 2,49,001.00 |

ii) Remeasurement recognised in other comprehensive income

*(Amount in Reporting Currency)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | - | - |
| Remeasurement of the net defined benefit asset | - | - |
| | - | - |

D Plan assets

*(Amount in Reporting Currency)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 | As at 1 April 2017 |
|---|---|---|---|
| Funds managed by insurer | - | - | - |
| | - | - | - |

E Defined benefit obligation - Actuarial Assumptions

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 | For the year ended 31 March 2017 |
|---|---|---|---|
| Interest rate | | | |
| Discount rate | | | |
| Future salary growth | | | |
| Attrition rate | | | |
| Rate of return on planned asset | | | |
| Average duration of defined benefit obligation (in years) | - | - | - |

F Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

Core employees

*(Amount in Reporting Currency)*

| | As at 31 March 2019 | | As at 31 March 2018 | | As at 1 April 2017 | |
|---|---|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | - | - | - | - | - | - |
| Future salary growth (1% movement) | - | - | - | - | - | - |
| Attrition rate (1% movement) | - | - | - | - | - | - |

Associate employees

*(Amount in Reporting Currency)*

| | As at 31 March 2019 | | As at 31 March 2018 | | As at 1 April 2017 | |
|---|---|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | - | - | - | - | - | - |
| Future salary growth (1% movement) | - | - | - | - | - | - |
| Attrition rate (1% movement) | - | - | - | - | - | - |

48 Dues to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

PRAVEEN JAYADEEP & CO. FRN-015597S Bengaluru. Chartered Accountants

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED
Notes to the financial statements for the year ended 31 March 2019

**49 Taxes**

**A Amount recognised in profit or loss**

*(Amount in Reporting Currency)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| *Current tax:* | | |
| In respect of the current period | | - |
| Excess provision related to prior years (refer note (i) below) | - | - |
| *Deferred tax:* | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | - | - |
| Increase/ reduction of tax rate | - | - |
| **Income tax expense reported in the Statement of Profit and Loss** | - | - |

**B Income tax recognised in other comprehensive income**

*(Amount in Reporting Currency)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | - | - |
| Tax (expense)/ benefit | - | - |
| **Net of tax** | - | - |

**C Reconciliation of effective tax rate**

*(Amount in Reporting Currency)*

| Particulars | For the year ended | | | |
|---|---|---|---|---|
| | 31 March 2019 | | 31 March 2018 | |
| | Rate | Amount | Rate | Amount |
| Profit before tax | | - | | - |
| Tax using the Company's domestic tax rate | 0.00% | - | 0.00% | - |
| **Effect of:** | | | | |
| Tax exempt income | 0.00% | - | 0.00% | - |
| Non-deductible expenses | 0.00% | - | - | - |
| Unrecognised tax losses | 0.00% | - | - | - |
| Deferred tax credit for earlier periods | 0.00% | - | - | - |
| Difference in enacted tax rate | 0.00% | - | - | - |
| **Effective tax rate** | **0.00%** | - | **0.00%** | - |
| Less: Excess provision related to prior years | - | - | 0.00% | - |
| **Income tax expense reported in the Statement of Profit and Loss** | **0.00%** | - | **0.00%** | - |

**D The following tables provides the details of income tax assets and income tax liabilities as of 31 March 2019, 31 March 2018 and 1 April 2017**

**Non-current tax assets (net)**

*(Amount in Reporting Currency)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 | As at 1 April 2017 |
|---|---|---|---|
| Income tax assets | - | - | - |
| Income tax liabilities | - | - | - |
| **Net income tax assets at the end of the year** | - | - | - |

**Current tax liabilities (net)***

*(Amount in Reporting Currency)*

| Particulars | As at31 March 2019 | As at31 March 2018 | As at1 April 2017 |
|---|---|---|---|
| Income tax assets | - | - | - |
| Income tax liabilities | - | - | - |
| **Net income tax liabilities at the end of the year** | - | - | - |

*For current tax liabilities above, there is no legally enforceable right to set off against the non-current tax assets and accordingly disclosed separately.

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Simpliance Technologies Pvt. Ltd. Bangalore

Notes to the financial statements for the year ended 31 March 2019

**E Deferred tax assets, net**

*(Amount in Reporting Currency)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 | As at 1 April 2017 |
|---|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | | |
| **Deferred tax assets:** | | | |
| Impairment loss allowance on financial assets | | | |
| Provision on employee benefits- Gratuity | - | - | - |
| Provision on employee benefits- Compensated absences | - | - | - |
| Deffered Tax on Bonus | - | - | - |
| Provision for disputed Claims | - | - | - |
| Interest on Service Tax | - | - | - |
| Provision for rent Escalation | - | - | - |
| Present Valuation of Financial Instruments | - | - | - |
| Deferred Tax others | - | - | - |
| | - | - | - |
| Deffered tax on fixed assets | - | - | - |
| Minimum alternate tax credit entitlement | - | - | - |
| **Net deferred tax assets** | - | - | - |
| | - | - | - |

**F Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Reporting Currency)*

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets on:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Others | - | - | - | - | - |
| | - | - | - | - | - |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | 5,59,083 | - | (43,812) | - | 5,15,271 |
| **Net deferred tax Liabilities** | **5,59,083** | - | **(43,812)** | - | **5,15,271** |

*(Amount in Reporting Currency)*

| For the year ended 31 March 2018 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax assets on:** | | | | | |
| Impairment loss allowance on financial assets | - | - | - | - | - |
| Provision for employee benefits | - | - | - | - | - |
| Provision for disputed claims | - | - | - | - | - |
| Provision for rent escalation | - | - | - | - | - |
| Others | - | - | - | - | - |
| | - | - | - | - | - |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax laws | 5,16,666.00 | - | 42,417 | - | 5,59,083 |
| **Net deferred tax Liabilities** | **5,16,666.00** | - | **42,417** | - | **5,59,083** |

**G Unrecognised deferred tax assets/ (liabilities)**

The Company does not have unrecognised deferred tax liabilities.

Unrecognised deferred tax assets related primarily to business losses. These unexpired business losses will expire based on the year of origination as follows:

*(Amount in Reporting Currency)*

| As at 31 March 2019 | Unabsorbed business losses |
|---|---|
| 2019 | - |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| Thereafter | - |
| | - |

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Sri ... Technologies Pvt. Ltd. Bangalore

**SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED**

**Payment to auditors (net of service tax; included in legal and professional fees)**

*Amount In INR*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 25,000 | 50,000 |
| Tax audit fees | - | - |
| Others | - | - |
| Reimbursement of expenses | - | - |
| | **25,000** | **50,000** |

FRN-015597S

Bengaluru.

PRAVEEN JAYADEEP & CO. Chartered Accountants

Bangalore

M/s SIMPLIANCE TECNOLOGIES PRIVATE LIMITED
Groupings to Financial Statements for the Year Ended 31 March 2019

## 1 Loan from related party-Directors

| Particulars | As at 31 March 2019 | As at 31st March, 2018 |
|---|---|---|
| Hansa Sharma | 9,58,000 | 8,00,000 |
| | | |
| Total | 9,58,000 | 8,00,000 |
| | | |

## 2 Current Liabilities- Provisions

| Particulars | As at 31 March 2019 | As at 31st March, 2018 |
|---|---|---|
| *For Expenses* | | |
| Procain Consulting | 1,08,000 | 2,71,750 |
| Coachieve Solution Pvt Ltd | 8,13,954 | 1,55,233 |
| RRS People Works (Crs for Altisource) | - | 21,240 |
| Audit Fees Payable | 25,000 | 50,000 |
| Madhura Shetty | - | 6,930 |
| Veena Anu | - | 50,000 |
| Bangalore Chambers of Commerce (BCIC) | - | 49,999 |
| Reliance Jio Infocomm | - | 17,862 |
| Altisource Business Solutions Ind P Ltd (Techweb) | 13,678 | - |
| Altisource Business Solutions Ind P Ltd (Vishwroop) | 13,678 | - |
| Salary Payable | 11,133 | 10,38,112 |
| Total | 9,85,444 | 16,61,126 |
| | | |

## 3 Balances payable to government authorities

| Particulars | As at 31 March 2019 | As at 31st March, 2018 |
|---|---|---|
| GST | 6,19,636 | 2,56,349 |
| TDS Deducted | 1,65,506 | 79,795 |
| ESI Deducted | 14,355 | 2,012 |
| PF Deducted | 1,47,350 | 70,517 |
| Profession Tax Deducted | 7,600 | 3,800 |
| Total | 9,54,446 | 4,12,473 |

## 4 Amount payable to related parties

| Particulars | As at 31 March 2019 | As at 31st March, 2018 |
|---|---|---|
| Anil Prem D'Souza | - | 4,27,682 |
| Cbensol | - | 6,02,464 |
| | - | 8,26,723 |
| Total | - | 18,56,869 |
| | | |

Simpliance Technologies Pvt. Ltd. Bangalore

M/s SIMPLIANCE TECNOLOGIES PRIVATE LIMITED
Groupings to Financial Statements for the Year Ended 31 March 2019

### 5 Trade Receivables

| Particulars | As at 31 March 2019 ( In INR ) | As at 31st March, 2018 ( In INR ) |
|---|---|---|
| Alpla India Private Limited | 33,900 | - |
| Altisource Business Solutions India P Ltd (Techweb) | - | 10,620 |
| Altisource Business Solutions India Pvt Ltd (Vishwaroop) | - | 10,620 |
| Altisource Business Solutions Pvt Ltd | 43,800 | 18,000 |
| Amazon Data Services India Private Limited | 2,360 | - |
| Amazon Development Centre India Pvt Ltd | 96,524 | - |
| Amazon Internet Services Private Limited | 5,192 | - |
| Amazon Pay India Private Limited | 2,360 | - |
| Amazon Seller Services Private Limited - Karnataka | 25,193 | - |
| Amazon Transportation Services Private Limited | 3,304 | - |
| Amazon Transportation Services Private Limited - KA | 72,688 | - |
| Amazon Wholesale India Private Limited | 1,888 | - |
| Amber Road Software Pvt Ltd | 7,560 | - |
| B Braun Medical India Pvt Ltd | 42,806 | - |
| Bella Premier Happy HygieneCare Pvt Ltd | - | 1,000 |
| BTI Payments Private Limited | 16,520 | - |
| CBRE South Asia Private Limited | 20,178 | - |
| Classic Wine Mall Pvt Ltd | 17,700 | - |
| Coachieve Solutions Private Limited | 48,36,628 | 41,54,678 |
| Coachieve Solutions Pvt Ltd (Reimbursements) | - | 1,26,607 |
| Cushman & Wakefield Property Management Services | 2,29,284 | - |
| Dr Lal Path Labs | 1,55,034 | - |
| Geojit Financial Services | - | 382 |
| Gitam University | - | 61,017 |
| GMR Goa International Airport Limited | 11,232 | - |
| IDBI Federal Life Insurance Co. Ltd | - | 1,41,600 |
| Infosys Limited | 8,85,000 | - |
| J Sagar & Associates | - | 5,000 |
| Karma Management Consultants Pvt Ltd | - | 8,362 |
| Larsen & Toubro Infotech Limited | 33,600 | - |
| Manappuram Finance Limited | - | 4,200 |
| MJ Management Consultants | 58,646 | 1,25,112 |
| My Own Eco Energy Pvt Ltd | 3,24,500.00 | - |
| NestAway Technologies Private Limited | 23,600.00 | - |
| Nishith Desai & Associates | - | 382 |
| Omkar Realtors & Developers Pvt. Ltd | - | 21,900 |
| Optimum Infosystems Private Limited | 35,400.00 | - |
| Quess Corp Limited | 96,642.00 | - |
| Rakuten India Enterprise Private Limited | 1,800.00 | - |
| RRS People Works | 29,108 | 1,16,293 |
| Schneider Electric India Pvt Ltd | 2,59,128.00 | - |
| SequelOne Solutions Pvt Ltd | 93,079 | - |
| Softtek India Pvt Ltd | 11,800.00 | - |
| Syngenta India Ltd | 2,08,800.00 | - |
| Tangoe India Softek Services Pvt. Ltd | 62,670 | 79,630 |
| Terrier Security Services India Private Limited | 19,636.00 | |
| TVS Capital Funds Ltd | - | 11,800 |
| TVS Electronics Limited | - | 23,600 |
| United Breweries Limited | - | 2,18,064 |
| Vistaar Financial Services Pvt Ltd | 1,11,510 | 97,350 |
| Vodafone India Limited | 2,05,266 | 1,39,156 |
| Winfo Consulting Private Limited | 18,880.00 | |
| Zwick Roell Testing Machines Private Limited | 28,320.00 | - |
| **Total** | 81,31,535 | 53,75,372 |

SIMPLIANCE TECHNOLOGIES PRIVATE LIMITED

**Notes to the consolidated financial statements for the year ended 31 March 2019**

Company overview and Significant accounting policies

## 1 Company overview

Simpliance Technologies Pvt Ltd("the Company") is a private limited company incorporated and domiciled in India. The registered office of the Company is located atNo.6/A, AVS Compound, 4th Block, Opposite Sony World, AVS Layout, Koramangala, Bangalore - 560034 Karnataka, India. The Company is engaged inproviding technology based Governance, Risk and Compliance Solutions.

## 2 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of Ind AS financial statements. Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

### 2.1 Basis of accounting and preparation of Ind ASfinancial statements

**Statement of compliance:**

ThesefinancialstatementsarepreparedinaccordancewithIndianAccountingStandards(IndAS)underthehistoricalcostconventionontheaccrualbasis.TheIndASareprescribedunderSection133oftheActreadwithRule3oftheCompanies(IndianAccountingStandards)Rules2015andCompanies(Indian Accounting Standards) Amendment Rules, 2016.

### 2.2 Basis of measurement

The Ind AS financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following:

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Share based payment transactions measured at fair value;

iii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO"); and

iv. Contingent consideration in business combination measured at fair value

### 2.3 Use of estimates and judgement

The presentation of Financial Statements in conformity with IndAS requires estimates and assumptions to be made that affect the reported amount of Assets and Liabilities as on the date of the Financial Statements and the reported amount of revenues and expenses during the reporting period. Differences between the

Bangalore

actual results and estimates are recognized in the period in which the results are known / materialized.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and criticaljudgements in applying accounting policies that have the most significant effect on the amounts recognized in the Ind ASfinancial statements is included in the following notes:

i. **Contingent liabilities:** Contingent liabilities are not recognized in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except, in the extremely rare circumstances where no reliable estimate can be made).

ii. **Income taxes:** Significant judgements are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.Availability of future taxable profits against which deferred tax amount can be used.

iii. **Property, plant and equipment:**Useful life of asset.

iv. **Other estimates:** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Group estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

## 2.4 Functional and presentation currency

Items included in the Ind AS financial statements of Company are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The financial statements are presented in Indian Rupees ("INR"), which is also the company's functional currency.

## 2.5 Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

**Depreciation methods, estimated useful lives and residual value**

Depreciation is calculated on cost of the items of property, plant and equipment less their estimated residual values over their estimated useful lives using the Written Down Value Method('WDV'), and is recognized in the statement of profit and loss.Depreciation for assets purchased/ sold during the year is proportionately charged. The Companyhas considered the estimated useful life for items of property, plant and equipmentas per Part C of Schedule II of the Companies Act, 2013.

| Asset category | Estimated useful life |
|---|---|
| Furniture and Fixtures | 10 years |
| Computer equipment | 3 years |
| Office equipment | 5 years |
| Software & Applications | 6 years |

The assets residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each financial yearend.An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in progress'.

**2.6 Intangible assets**

(i) **Goodwill:** There are nosuch goodwill purchases during the year.

**(ii) Other intangible assets**

*Internally generated: Research and development*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software includes employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit and loss as and when incurred

### (iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straightline method,and is included in depreciation and amortizationexpenses in statement of profit and loss.

The estimated useful lives of intangibles are as follows:

| Asset category | Estimated useful life |
|---|---|
| Software (owned) | 6 years |

Amortisation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each financial year.

### 2.7 Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that arelargely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

### 2.8 Inventories

The nature of Business of company is service oriented. Hence, Inventory is not applicable.

### 2.9 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

When the outcome of the contract cannot be measured reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

## 2.10 Other income

Other income is comprised primarily of Consultancy fees charges to clients.

## 2.11 Employee benefits

### (a) Defined benefit plans

The Company's gratuity plan is a defined benefit plan. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Remeasurement of the net defined benefit liability/ asset (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

### (b) Short-term benefit plans

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the companyhas a present legal or constructive obligation to pay this amount as a result of past services provided by the employees, and the amount of obligation can be estimated reliably.

### (c) Compensated absences

The employees of the company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement.

**(d) Termination benefits**

Termination benefits are expensed at the earlier of when the companycan no longer withdraw the offer of those benefits and when the companyrecognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**2.12 Taxes**

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit and loss.

Current tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for the cases mentioned below.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assetsunrecognized or recognized, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## 2.13 Provisions (other than employee benefits)

A provision is recognised if, as a result of a past event, the Companyhas a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

(i) *Onerous contract*

A contract is considered to be onerous when the expected economic benefit to be derived by the Group from the contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognizes any impairment loss on the assets associated with the contract.

## 2.14 Contingent liability

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

## 2.15 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

## 2.16 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

## 2.17 Earnings per share

The basic earningsper share is computed by dividing the net profit/ (loss) attributable to owners of the company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings/ (loss) per share comprises the weighted average shares considered for deriving basic earnings/ (loss) per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

## 2.18 Other Income

Other income mostly comprises interest income on deposits. Interest income is recognised using the effective interest method.

## 2.19 Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Simpliance Technologies Pvt. Ltd. Bangalore

# INDEPENDENT AUDITOR'S REPORT

To,
The Members
Vedang Cellular Services Private Limited

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Vedang Cellular Services Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS



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Email : Info@vscaglobal.com
web : www.vscaglobal.com

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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



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conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

2) As required by Section 143 (3) of the Act, we report that;

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

   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, 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



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iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 7th May 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Vedang Cellular Services Private Limited of even date)

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

b. The company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified annually. In our opinion, the periodicity is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification;

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. The Company's operations does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities. As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable;

b. According to the information and explanations given to us, there are no dues of provident fund, employee state insurance, income-tax, goods and service tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute;

viii. According to the information and explanations given to us, the company has not defaulted in repayment of loan from financial institutions or banks;

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals as mandated by the provisions of section 197 read with Schedule V to the Act;



BANGALORE INDIA

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable Indian Accounting Standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable; and

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 7th May 2019

## ANNEXURE - B to the Independent Auditors' Report

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Vedang Cellular Services Private Limited of even date)

### Report on the Internal Financial Controls 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 **Vedang Cellular Services Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

### Auditors' 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[1] and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone 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;

[1] Guidance note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI')



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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 authorizations of management and directors of the Company; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 7th May 2019

Vedang Cellular Services Private Limited
BALANCE SHEET AS AT 31ST MARCH 2019

(Amount in INR)

| Balance Sheet | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 38,323,593 | 34,328,413 |
| Other intangible assets | 4 | 38,515,506 | 35,474,907 |
| Deferred tax assets (net) | 5 | 2,222,170 | - |
| Income tax assets (net) | 6 | 81,958,314 | 67,096,911 |
| Other non-current assets | 7 | 161,025 | 147,212 |
| **Total non-current assets** | | 161,180,607 | 137,047,443 |
| Financial assets | | | |
| (i) Trade receivables | 8 | 221,466,005 | 220,910,543 |
| (ii) Cash and cash equivalents | 9 | 208,897 | 151,079 |
| (iii) Bank balances other than cash and cash equivalents above | 10 | 500,000 | 500,000 |
| (iv) Current loans | 11 | 3,396,110 | 3,873,649 |
| (v) Other current financial assets | 12 | 239,984 | 193,355 |
| (vi) Unbilled revenue | 13 | 83,312,789 | 130,763,155 |
| Other current assets | 14 | 652,807 | 1,521,818 |
| **Total current assets** | | 309,776,590 | 357,913,599 |
| **Total Assets** | | 470,957,197 | 494,961,042 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | 1,820,830 | 1,820,830 |
| Other equity | 16 | 216,774,582 | 210,305,467 |
| **Total equity** | | 218,595,412 | 212,126,297 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities (net) | 17 | - | 2,079,917 |
| Non-current provisions | 18 | 2,956,150 | 1,533,272 |
| **Total non-current liabilities** | | 2,956,150 | 3,613,188 |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Current borrowings | 19 | 81,408,410 | 125,191,255 |
| (ii) Trade payables | 20 | 50,500,531 | 46,446,880 |
| (iii) Other current financial liabilities | 21 | 97,268,102 | 76,236,867 |
| Current provisions | 22 | 2,663,069 | 2,124,810 |
| Other current liabilities | 23 | 17,565,524 | 29,221,744 |
| **Total current liabilities** | | 249,405,636 | 279,221,556 |
| **Total Liabilities** | | 252,361,786 | 282,834,744 |
| **Total Equity and Liabilities** | | 470,957,197 | 494,961,042 |
| Company Overview and Significant Accounting Policies | 1 & 2 | | |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

*for Vasan & Sampath LLP*
Chartered Accountants
Firm's Registration No.: 004542S/S200030

Partner - Unnikrishnan Menon
Membership No - 205X06

Place: Bangalore
Date: 07-05-2019

*for and on behalf of the Board of Directors of*
Vedang Cellular Services Private Limited

Ashish Kapoor
DIN.02752632
Place: Bangalore
Date: 07-05-2019

Neil Elijah
DIN: 06633420
Place: Bangalore
Date: 07-05-2019

Srinivasan Guruprasad
DIN: 07596207
Place: Bangalore
Date: 07-05-2019

Vedang Cellular Services Private Limited

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH 2019

(Amounts in INR)

| Statement of Profit and Loss | Note | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 24 | 1,071,561,866 | 995,216,806 |
| Other income | 25 | 2,908,161 | 48,659 |
| **Total income** | | 1,074,470,027 | 995,265,465 |
| **Expenses** | | | |
| Direct Service Cost | 26 | 429,958,124 | 398,614,699 |
| Employee benefit expenses | 27 | 488,251,105 | 464,231,309 |
| Finance costs | 28 | 21,927,000 | 16,481,295 |
| Depreciation and amortisation expenses | 29 | 42,291,302 | 27,770,219 |
| Other expenses | 30 | 83,455,021 | 81,247,800 |
| **Total expenses** | | 1,065,882,553 | 988,345,322 |
| **Profit before tax** | | 8,587,475 | 6,920,143 |
| **Tax expense** | | | |
| Current tax | 31 | (6,200,000) | (3,679,364) |
| Deferred tax of previous years | | - | 5,059,915 |
| Deferred tax | | 4,032,716 | 1,319,351 |
| **Total tax expenses** | | (2,167,284) | 2,699,902 |
| **Profit for the year** | | 6,420,191 | 9,620,045 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of the net defined benefit liability/ asset | | (968,264) | 6,948,709 |
| Income tax relating to items that will not be reclassified to profit or loss | | 269,371 | (2,295,576) |
| Other comprehensive income/(Expense) for the Year, net of tax | | (698,893) | 4,653,133 |
| **Total comprehensive income for the year** | | 5,721,298 | 14,273,179 |
| **Earnings per equity share (face value of Rs 10 each)** | | | |
| Basic | | 35 | 53 |
| Diluted | | 35 | 53 |
| Company Overview and Significant Accounting Policies | 1 & 2 | | |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
for Vasan & Sampath LLP
Chartered Accountants
Firm's Registration No.: 004542S/S200070

Partner - Unnikrishnan Menon
Membership No - 205703

Place: Bangalore
Date: 07-05-2019

for and on behalf of the Board of Directors of
Vedang Cellular Services Private Limited

| Ashish Kapoor | Neil Ejiah | Srinivasan Guruprasad |
|---|---|---|
| DIN:02752632 | DIN: 06633420 | DIN: 07596207 |
| Place: Bangalore | Place: Bangalore | Place: Bangalore |
| Date: 07-05-2019 | Date: 07-05-2019 | Date: 07-05-2019 |

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

VEDANG CELLULAR SERVICES PRIVATE LIMITED MUMBAI

Vedang Cellular Services Private Limited
Statement of Changes in Equity for the period 1 April 2018 to 31 March 2019

(A) Equity share capital

*(Amount in INR)*

| Particulars | Note | 31 March 2019 |
|---|---|---|
| Opening balance | 15 | 1,820,830 |
| Changes in equity share capital | 15 | - |
| Closing balance | | 1,820,830 |

(B) Other equity

*(Amount in INR)*

| Particulars | Attributable to owners of the Company — Other equity — Reserves and surplus: Retained earnings | Reserves and surplus: Other Reserve | Other equity: Securities premium account | Other comprehensive income: Foreign currency translation reserve | Other comprehensive income: Remeasurement of the net defined benefit liability/ asset | Total attributable to equity holders of the Company |
|---|---|---|---|---|---|---|
| Balance as of 1 April 2018 | 175,745,981 | - | 29,904,170 | - | 4,653,133 | 210,303,284 |
| Add: Profit for the year | 6,420,191 | - | - | - | - | 6,420,191 |
| Add: Other comprehensive income (net of tax) | - | - | - | - | (698,893) | (698,893) |
| Add: Transfer to Other Reserve | - | 750,000 | - | - | - | 750,000 |
| | - | | | - | - | - |
| Balance as of 31st March 2019 | 182,166,171 | 750,000 | 29,904,170 | - | 3,954,241 | 216,774,582 |

The notes referred to above form an integral part of the consolidated financial statements.

As per our report of even date attached
for Vasan & Sampath LLP
Chartered Accountants
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Partner - Unnikrishnan Menon
Membership No - 205703

Place: Bangalore
Date: 07-05-2019

for and on behalf of the Board of Directors of
Vedang Cellular Services Private Limited

AKapoor

Ashish Kapoor
DIN.02752632

Place: Bangalore
Date: 07-05-2019

Neil Elijah

Neil Elijah
DIN: 06633420

Place: Bangalore
Date: 07-05-2019

Srinivasan Guruprasad
DIN: 07596207

Place: Bangalore
Date: 07-05-2019

VEDANG CELLULAR SERVICES PRIVATE LIMITED ★ MUMBAI

**VEDANG CELLULAR SERVICES PRIVATE LIMITED**
Statement of Cash flow Statement for the year ended on 31st March, 2019

| Statement of Cash flows | AS ON 31.03.2019 | AS ON 31.03.2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 8,587,475 | 6,920,141 |
| *Adjustments for:* | | |
| Depreciation and amortisation expenses | 42,300,754 | 27,770,219 |
| Finance Cost | 21,927,000 | 17,532,127 |
| Interest Income | (51,810) | (92,452) |
| Impairment loss on financial assets | - | 1,093,098 |
| Deferred Tax Expenses | 4,032,716 | - |
| **Operating cash flows before working capital changes** | 76,796,135 | 53,223,134 |
| Increase/(Decrease) in inventories, trade receivables and unbilled revenue | 46,894,906 | (69,166,443) |
| Increase/(Decrease) in loans, other financial assets and other assets | (19,421,637) | (46,872,216) |
| (Increase)/Decrease in trade payables and other financial liabilities | (18,697,959) | (29,404,881) |
| (Increase)/Decrease in other liabilities and provisions | (10,393,976) | 33,899,173 |
| **Cash generated from operating activities** | (1,618,666) | (111,544,367) |
| Income taxes | (3,907,927) | (4,786,703) |
| **Net cash provided by/ (used in) operating activities (A)** | 71,269,542 | (63,107,937) |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (49,336,533) | (45,850,405) |
| Interest received on term deposits | 51,810 | 48,659 |
| **Net cash used in investing activities (B)** | (49,284,723) | (45,801,746) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of share capital | - | 30,000,000 |
| Interest Paid | (21,927,000) | (17,532,127) |
| Current borrowings, net of repayments | - | 96,028,427 |
| **Net cash provided by financing activities (C)** | (21,927,000) | 108,496,300 |
| | | |
| **Net increase in cash and cash equivalents (A+B+C)** | 57,818 | (413,382) |
| | | |
| **Cash and cash equivalents at beginning of period** | 151,079 | 564,461 |
| | | |
| **Cash and cash equivalents at the end of the year (refer note 13)** | 208,897 | 151,079 |

As per our report of even date attached
for Vasan & Sampath LLP
Chartered Accountants
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Partner - Unnikrishnan Menon
Membership No - 205703

Place: Bangalore
Date: 07-05-2019

for and on behalf of the Board of Directors of
Vedang Cellular Services Private Limited

A Kapoor Neil Elijah

| Ashish Kapoor | Neil Ejiah | Srinivasan Guruprasa |
|---|---|---|
| DIN.02752632 | DIN: 06633420 | DIN: 07596207 |
| Place: Bangalore | Place: Bangalore | Place: Bangalore |
| Date: 07-05-2019 | Date: 07-05-2019 | Date: 07-05-2019 |

VEDANG CELLULAR SERVICES PRIVATE LIMITED MUMBAI

Vedang Cellular Services Limited

Notes to the financial statements for the period 1 April 2018 to 31st March 2019
Company overview and Significant accounting policies

1. **Company Overview**

Vedang Cellular Services Private Limited was incorporated in India as a Private Limited Company on 05th of April, 2010.The Company is engaged in the business of Providing Network Planning, Network Optimization in Building Solution, Installation & Commissioning & Skilled Manpower Supply Services to Wireless Telecom operator & Venders.

2. **Significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these Ind AS financial statements. Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

**Basis of preparation:**

**2.1 Statement of compliance:**

These Ind AS financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS") and the provisions of the Companies Act, 2013 ("Act") and the relevant rules thereunder. The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

Effective 1 April 2016, the Company has adopted all the Ind AS standards and the first-time adoption was carried out in accordance with Ind AS 101, First time adoption of Indian Accounting Standards with April 1, 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company Standalone Ind AS financial statements are approved for issue by the Company's Board of Directors on 07 May 2019.

These Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

**2.2 Basis of preparation of financial statements**

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments) and

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO").

**2.3 Use of estimates and judgement**

The preparation of the Ind AS financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular

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information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Ind AS financial statements is included in the following notes:

i. ***Contingent liabilities:*** Contingent liabilities are not recognised in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except, in the extremely rare circumstances where no reliable estimate can be made).

ii. ***Income taxes:*** Significant judgements are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions. Availability of future taxable profits against which deferred tax amount can be used.

iii. ***Recognition of deferred tax assets:*** Availability of future taxable profit against which tax losses carried forward can be used.

iv. ***Measurement of defined benefit obligations:*** Key actuarial assumptions used for actuarial valuation.

v. ***Impairment of financial assets:*** The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost.

vi. ***Property, plant and equipment:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

vii. ***Other estimates:*** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

## 2.4 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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## 2.5 Functional and presentation currency

Items included in the Ind AS financial statements of the Company are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

## 2.6 Property, plant and equipment:

### Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the standalone statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

### Depreciation methods, estimated useful lives and residual value

Depreciation is calculated on cost of the items of property, plant and equipment less their estimated residual values over their estimated useful lives using the Straight-Line Method ('SLM'), and is recognised in the statement of profit and loss. The Management believes that the useful lives as given below best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act ,2013. Depreciation for assets purchased/ sold during the year is proportionately charged. The Company estimated the useful lives for items of property, plant and equipment as follows:

| Category | Useful Life (years) |
|---|---|
| Plant and Machinery | 3 years |
| Office equipment | 3 years |
| Furniture & Fittings | 3 years |
| Computer Hardware | 3 years |

The assets residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses)

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in progress'.

## 2.7 Intangible assets

### (i) Intangible assets

Other intangible assets such as computer software, copyright and trademarks are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

### (ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

### (iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method and is included in depreciation and amortisation expenses in the standalone statement of profit and loss.

The estimated useful lives of intangible assets are as follows:

| Asset category | Estimated useful life for 31 March 2019 |
|---|---|
| Software | 3 years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

## 2.8 Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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**2.9 Leases**

Leases of property, plant and equipment that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are generally charged to profit or loss on a straight-line basis over the period of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**2.10 Revenue recognition**

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised services to customers in an amount that reflects the consideration it expects to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognised as the services are performed as per the terms of the arrangement with the customer.

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

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The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

**Refer Note 41 for disclosure related to revenue from contracts with customers.**

**2.11 Other income**

Other income mostly comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

**2.12 Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the standalone statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

**2.13 Financial instruments**

**a) Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b) Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

All financial assets not classified and measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

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| | |
|---|---|
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss. |

**c) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

**d) Derecognition of financial assets**

The Company derecognizes a financial asset when the
- contractual rights to the cash flows from the financial asset expires, or
- it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or
- Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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

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

**Financial liabilities**

**a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss (FVTPL) or amortised cost.

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All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

***Amortised cost***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

**c) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.14 Employee benefits**

**(a) Defined benefit plans**

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The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Remeasurement of the net defined benefit liability/ asset (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

**(b) Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. shortterm cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employees, and the amount of obligation can be estimated reliably.

**(c) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit Method as at the reporting date.

**(d) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**(e) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

## 2.15 Taxes

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

Current tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted as on the balance sheet date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date. Deferred income tax assets and liabilities are recognised for

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temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for the cases mentioned below.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

## 2.16 Provisions (other than employee benefits)

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

**Onerous contract**

A contract is considered to be onerous when the expected economic benefit to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognizes any impairment loss on the assets associated with the contract.

## 2.17 Contingent liability

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

## 2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

## 2.19 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or

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payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

## 2.20 Earnings per share

The basic earnings per share is computed by dividing the net profit/ (loss) attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings/ (loss) per share comprises the weighted average shares considered for deriving basic earnings/ (loss) per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

**Note on Recent Pronouncement:**

**Standards issued but not yet effective**

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs (MCA) on 30th March, 2019) which are effective for annual period beginning after 1st April, 2019. The Company intends to adopt these standards or amendments from the effective date.

**Ind AS 116 – Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, except short-term leases and leases for low-value items, under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting largely unchanged from the existing standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options.

**Amendments to existing Ind AS:**

The following amendments to existing standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

1. Amendment to Ind AS 12 Income Taxes
2. Amendment to Ind AS 19 Employee Benefits
3. Amendment to Ind AS 23 Borrowing Costs
4. Amendment to Ind AS 109 Financial Instruments

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Vedang Cellular Services Private Limited
Notes to the financial statements for the period 1 April 2018 to 31st March 2019

## 3 Property, plant and equipment

(Amount in INR)

| Particulars | Furniture and fixtures | Vehicles | Plant and machinery | Computer equipment | Total Property, plant and equipment |
|---|---|---|---|---|---|
| Balance as at 1 April 2018 | 2,415,185 | - | 13,675,351 | 81,483,003 | 97,573,538 |
| Regrouping as on 1 April 2018* | - | - | - | (50,370,191) | (50,370,191) |
| Regrouped Balance as at 1 April 2018 | 2,415,185 | - | 13,675,351 | 31,112,812 | 47,203,348 |
| Additions during the year | 574,283 | 1,200,000 | 7,810,026 | 19,775,226 | 29,359,534 |
| Balance as at 31st Mar 2019 | 2,989,468 | 1,200,000 | 21,485,376 | 50,888,038 | 76,562,882 |
| Accumulated depreciation as on 1st Apr'2018 | 872,845 | - | 3,189,105 | 23,708,268 | 27,770,219 |
| Regrouping as on 1 April 2018 | - | - | - | (14,895,284) | (14,895,284) |
| Regrouped Accumulated depreciation as on 1st Apr'2018 | 872,845 | - | 3,189,105 | 8,812,984 | 12,874,935 |
| Depreciation for the Period | 1,017,786 | 228,027 | 6,330,778 | 17,787,763 | 25,364,354 |
| Balance as at 31st Mar 2019 | 1,890,631 | 228,027 | 9,519,883 | 26,600,747 | 38,239,289 |
| As at 31st Mar 2019 | 1,098,837 | 971,973 | 11,965,493 | 24,287,290 | 38,323,593 |

* Assets have been reclassified from Computer Equipment to Intangible Assets

There has been no impairment losses recognised during the year or previous year.

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4 Other intangible assets

| Particulars | Softwares |
|---|---|
| **Balance as at 1 April 2018** | - |
| Regrouping as on 1 April 2018* | 50,370,191 |
| Additions during the year | 19,967,547 |
| **Balance as at 31st Mar 2019** | 70,337,738 |
| **Accumulated depreciation as on 1st Apr 2018** | - |
| Regrouping as on 1 April 2018 | 14,895,284 |
| Depreciation for the Period | 16,926,948 |
| **Balance as at 31st Mar 2019** | 31,822,232 |
| **Net carrying amount** | |
| As at 31st Mar 2019 | 38,515,506 |

* Assets have been reclassified from Computer Equipment to Intangible Assets
There has been no impairment losses recognised during the year or previous year.

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5 Deferred tax assets (net)

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Deferred tax asset and liabilities are attributable to the following: | | |
| Deferred tax asset on liabilities: | | |
| Impairment loss allowance on financial assets | 45,952 | - |
| Provision on employee benefits- Compensated absences | 189,982 | - |
| Provision on employee benefits- Gratuity | 1,103,913 | - |
| Deferred Tax - OCI | 269,371 | - |
| Deferred tax asset on assets: | | |
| Deferred tax on fixed assets | 612,951 | - |
| Net deferred tax assets | 2,222,179 | - |

6 Income tax assets (net)

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 88,158,314 | 70,776,276 |
| Income tax liabilities | - | - |
| Provision for tax (net of advance tax) | - | - |
| Income Tax Liabilities | (6,200,000) | (3,679,364) |
| | 81,958,314 | 67,096,911 |

7 Other non-current assets

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Prepaid expenses | 161,025 | 147,212 |
| | 161,025 | 147,212 |

8 Trade receivables

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good | 221,631,180 | 221,941,580 |
| Considered doubtful | - | 62,062 |
| | 221,631,180 | 222,003,641 |
| Loss allowance | | |
| Unsecured considered good | (165,177) | (1,031,037) |
| Doubtful | - | (62,062) |
| | (165,177) | (1,093,098) |
| Net trade receivables | 221,466,003 | 220,910,543 |

All trade receivables are current.

Of the above, trade receivables from related parties are as below:

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade receivables from related parties (Vedang Radio Technologies Private Limited) | 960,852 | - |
| Less: loss allowance | (4,804) | - |
| Net trade receivables | 956,048 | - |

For terms and conditions of trade receivables owing from related parties refer note 37.

The Company's exposure to credit and currency risk, and loss allowances related to trade receivables are disclosed in note 33.

9 Cash and cash equivalents

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Cash and cash equivalents* | | |
| Cash on hand | 147,942 | 32,130 |
| Balances with banks | | |
| In current accounts | 60,953 | 118,949 |
| Cash and cash equivalents in the statement of cash flow | 208,895 | 151,079 |

10 Bank balances other than cash and cash equivalents above

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In deposit accounts (due to mature within 12 months from the reporting date) | 500,000 | 500,000 |
| | 500,000 | 500,000 |

11 Current loans

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 2,999,095 | 1,966,757 |
| *Other loans and advances* | | |
| Advances to employees | 397,015 | 1,906,891 |
| | 3,396,110 | 3,873,649 |

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12 Other current financial assets

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest accrued but not due | 239,984 | 193,355 |
| | 239,984 | 193,355 |

13 Unbilled revenue

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Unbilled revenue | 83,312,789 | 130,763,155 |
| | 83,312,789 | 130,763,155 |

14 Other current assets

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Prepaid expenses | 652,807 | 1,117,931 |
| Balance with Government Authorities | - | 403,886 |
| | 652,807 | 1,521,818 |

15 Equity share capital

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 250,000 (31 March 2018: 250,000) equity shares of par value of Rs 10 | 2,500,000 | 2,500,000 |
| | 2,500,000 | 2,500,000 |
| **Issued, subscribed and paid-up** | | |
| 182,083 (31 March 2019: 182,083 ) equity shares of par value of Rs 10 each, fully paid up | 1,820,830 | 1,820,830 |
| | 1,820,830 | 1,820,830 |

15.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| | Number of shares | Number of shares |
| **Equity shares** | | |
| At the commencement of the year | 182,083 | 172,500 |
| Shares issued during the year | - | 9,583 |
| **At the end of the year** | 182,083 | 182,083 |

15.2 Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. On winding up of the Company, the holders of the equity shares will be entitled to receive the residual assets of the Company, after distribution of all preferential amounts (if any) in proportion to the number of equity shares held.

15.3 Details of shareholders holding more than 5% shares in the Company

*(Amount in INR)*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % Held | Number of shares | % Held |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Ltd | 127,458 | 70% | 127,458 | 70% |
| Vedang Radio Technology Private Limited | 27,213 | 15% | 27,213 | 15% |
| Ashish Kapoor | 27,412 | 15% | 27,412 | 15% |
| | 182,083 | 100% | 182,083 | 100% |

16 Other equity*

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Securities premium account (refer note 16.1) | 29,904,170 | 29,904,170 |
| Other Reserves | 750,000 | - |
| Retained earnings | 186,819,305 | 175,748,164 |
| Other comprehensive income (refer note 16.2) | (698,893) | 4,653,133 |
| | 216,774,582 | 210,305,467 |

* For detailed movement of reserves refer Statement of Changes in Equity.

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16.1 **Securities premium account**

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

16.2 **Other comprehensive income**

Remeasurement of defined benefit liability (asset) comprises actuarial gain and losses and return on plan assets (excluding interest income).

## 17 Deferred tax liabilities

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Deferred tax liabilities | - | 2,079,917 |
| | - | 2,079,917 |

## 18 Non-current provisions

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 39) | 2,764,450 | 1,533,272 |
| Provision for compensated absences | 191,700 | |
| | 2,956,150 | 1,533,272 |

## 19 Current borrowings

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Secured* | | |
| Cash credit and overdraft facilities (refer note 19.1) | 81,408,410 | 125,191,255 |
| | 81,408,410 | 125,191,255 |

Information about the Company's exposure to interest rate and liquidity risk is included in note 33.

19.1 The Company has taken cash credit facilities having interest rate of 0.60%+3m MCLR. These facilities are repayable on demand and are secured primarily by way of pari passu first charge on the entire current assets of the Company on both present and future and collateral by way of pari passu first charge on the entire fixed assets of the Company including capital goods and capital work in progress excluding charge on vehicles both present and future of the Company. The facility is supported with Quess Corp's guarantee

## 20 Trade payables

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Dues to micro, small and medium enterprises (refer note 40) | - | - |
| Other trade payables | 50,500,531 | 46,446,880 |
| | 50,500,531 | 46,446,880 |

All trade payables are current.

The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 33

## 21 Other current financial liabilities

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| *Other payables* | | |
| Accrued salaries and benefits | 37,861,998 | 41,280,189 |
| Expense Accrual | 55,921,704 | 34,956,678 |
| Provision for bonus and incentive | 3,484,400 | - |
| | 97,268,102 | 76,236,867 |

## 22 Current provisions

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 39) | 2,171,871 | 1,024,365 |
| Provision for compensated absences | 491,198 | 1,100,445 |
| | 2,663,069 | 2,124,810 |

## 23 Other current liabilities

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 17,565,524 | 29,221,744 |
| | 17,565,524 | 29,221,744 |

The Company's exposure to currency and liquidity risk related to other current liabilities is disclosed in note 33

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24 Revenue from operations

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Sale of services | 1,119,012,232 | 920,891,810 |
| Unbilled Revenue (Net) | (47,450,366) | 74,402,522 |
| | 1,071,561,866 | 995,216,806 |
| * Changes in Unbilled Revenue (Unbilled Revenue - Net) | | |
| Opening Unbilled Revenue | 130,763,155 | 56,360,633 |
| Closing Unbilled Revenue | 83,312,789 | 130,763,155 |
| Software sales and maintenance | - | - |
| | (47,450,366) | 74,402,522 |
| Other operating revenue | | |

25 Other income

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest income under the effective interest method on: | | |
| Deposits with banks | 51,810 | 48,659 |
| Interest income on present valuation of financial instruments | 128,620 | - |
| Interest on tax refunds | 1,261,899 | - |
| Foreign exchange gain | 168,768 | - |
| Liabilities no longer required written back | 1,297,064 | - |
| | 2,908,161 | 48,659 |

26 Direct Service Cost

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Installation charges | 170,367,661 | 172,439,107 |
| Equipment hire charges | 48,422,269 | 42,972,118 |
| Travelling and conveyance | 122,872,223 | 86,613,554 |
| Vehicle Hire Charges | 88,295,971 | 96,589,920 |
| | 429,958,124 | 398,614,699 |

27 Employee benefit expenses

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Salaries and wages | 471,559,976 | 451,257,030 |
| Contribution to provident and other funds | 12,031,667 | 14,560,763 |
| Expenses/ (Reversal) related to defined benefit plans | 1,795,940 | (3,983,830) |
| Staff welfare expenses | 2,863,522 | 2,397,346 |
| | 488,251,105 | 464,231,309 |

28 Finance costs

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Interest expense | 21,927,000 | 16,481,295 |
| | 21,927,000 | 16,481,295 |

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## 29 Depreciation and amortisation expenses

(Amount in INR)

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment | 25,364,354 | 27,770,219 |
| Amortisation of intangible assets | 16,926,948 | - |
| | 42,291,302 | 27,770,219 |

## 30 Other expenses

(Amount in INR)

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Rent | 7,194,767 | 4,803,300 |
| Power and fuel | 2,168,673 | 760,117 |
| Repairs & maintenance | | |
| - plant and machinery | 448,498 | 823,515 |
| - others | 1,087,536 | 2,093,967 |
| Legal and professional fees (refer note 30.1) | 44,146,732 | 34,520,295 |
| Rates and taxes | 1,052,387 | 1,976,180 |
| Printing and stationery | 3,929,750 | 5,634,976 |
| Consumables | 7,425,280 | 6,726,682 |
| Travelling and conveyance | 4,421,703 | 4,432,433 |
| Communication expenses | 8,424,827 | 13,387,939 |
| Impairment loss allowance on financial assets, net | - | 1,093,098 |
| Insurance | 403,830 | 1,401,550 |
| Bank charges | 273,147 | 1,050,832 |
| Business promotion and advertisement expenses | 409,464 | - |
| Foreign exchange loss, net | - | 91,319 |
| Miscellaneous expenses | 2,068,427 | 2,451,798 |
| | 83,455,021 | 81,247,800 |

## 30.1 Payment to auditors (net of service tax; included in legal and professional fees)

(Amount in INR)

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 700,000 | 150,000 |
| Tax audit fees | 300,000 | 50,000 |
| | 1,000,000 | 200,000 |

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31 Taxes

A Amount recognised in profit or loss

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| *Current tax:* | | |
| In respect of the current period | 6,200,000 | 3,679,364 |
| *Deferred tax:* | | |
| *Attributable to:* | | |
| Origination and reversal of temporary differences | (4,032,716) | (1,319,351) |
| Deferred tax related to previous period | - | (5,059,915) |
| **Income tax expense reported in the Statement of Profit and Loss** | 2,167,284 | (2,699,902) |

B Income tax recognised in other comprehensive income

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability/ asset | | |
| Before tax | (968,264) | 6,948,709 |
| Tax (expense)/ benefit | 269,371 | (2,295,576) |
| Net of tax | (698,893) | 4,653,133 |

C Reconciliation of effective tax rate

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | | For the year ended 31 March 2018 |
|---|---|---|---|
| | Rate | Amount | Amount |
| Profit before tax | | 8,587,475 | 6,920,141 |
| Tax using the Company's domestic tax rate | 27.82% | 2,389,035 | 2,286,006 |
| Effect of: | | | |
| Non Deductible Expenses | 50.19% | 4,309,899 | |
| Deferred Tax Credit | -46.96% | (4,032,716) | |
| Income tax relating to items that will not be reclassified to profit or loss | -5.81% | (498,934) | (2,295,576) |
| Effective tax rate | 25.24% | 2,167,284 | (7,569) |
| Less: Impact on account of MAT credit | | - | 1,591,632 |
| Less: Impact of account of change in rate of MAT vs normal tax rate | | - | 775,950 |
| Less: Excess provision related to prior years | | - | (5,059,915) |
| Income tax expense reported in the Statement of Profit and Loss | 25.24% | 2,167,284 | (2,699,902) |

D The following tables provides the details of income tax assets and income tax liabilities
Non-current tax assets (net)

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income tax assets | 88,158,314 | 70,776,275 |
| Income tax liabilities | (6,200,000) | (3,679,364) |
| **Net income tax assets at the end of the year** | 81,958,314 | 67,096,911 |

E Deferred tax assets, net

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax:** | | |
| Provision on employee benefits- Gratuity | 1,103,913 | 844,029 |
| Provision on employee benefits- Compensated absences | 189,982 | 363,147 |
| Brought forward losses | - | |
| Impairment on financial asset | 45,952 | 340,242 |
| Deffered tax on fixed assets | 612,951 | (3,627,326) |
| Others | 269,371 | - |
| **Net deferred tax liability** | 2,222,170 | (2,079,917) |

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F Recognised deferred tax assets and liabilities
Movement of deferred tax assets / liabilities presented in the balance sheet

(Amount in INR)

| For the year ended 31 March 2019 | Opening balance | Additions through business combinations | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax liability on:** | | | | | |
| Excess of depreciation provided for in the books over the depreciation allowed under the Income tax | (3,627,326) | - | 612,951 | | (4,240,277) |
| **Gross deferred tax liability** | (3,627,326) | | 612,951 | | (4,240,277) |
| **Deferred tax assets on:** | | | | | |
| Provision for employee benefits, compensated absences | 1,207,167 | - | 1,563,267 | - | (356,100) |
| Impairment on financial asset | 340,242 | - | 45,952 | - | 294,290 |
| **Gross deferred tax assets** | 1,547,409 | | 1,609,219 | 269,371 | (61,810) |
| **Net deferred tax liability** | (2,079,917) | | 2,222,170 | 269,371 | (4,302,087) |

32 Financial instruments - fair value and risk management

Accounting classification and fair value

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

Fair value hierarchy

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value.

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

Fair value of Financial Instruments as at 31 March 2019

*(Amount in INR)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Loans | 3,396,110 | - | - | - |
| Trade receivables | 221,466,003 | - | - | - |
| Cash and cash equivalents including other bank balances | 708,897 | - | - | - |
| Other financial assets | 239,984 | - | - | - |
| Unbilled revenue | 83,312,789 | - | - | - |
| **Total financial assets** | 309,123,783 | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 50,500,531 | - | - | - |
| Current borrowings | 81,408,410 | - | - | - |
| Other financial liabilities | 97,268,102 | - | - | - |
| **Total financial liabilities** | 229,177,043 | - | - | - |

Fair value of Financial Instruments as at 31 March 2018

*(Amount in INR)*

| Particulars | Carrying amount | Fair value | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| **Financial assets measured at amortised cost** | | | | |
| Loans | 3,873,649 | - | - | - |
| Trade receivables | 220,910,543 | - | - | - |
| Cash and cash equivalents | 651,079 | - | - | - |
| Other financial assets | 193,355 | - | - | - |
| Unbilled revenue | 130,763,155 | - | - | - |
| **Total financial assets** | 356,391,781 | - | - | - |
| **Financial liabilities measured at amortised cost** | | | | |
| Trade payables | 46,446,880 | - | - | - |
| Current borrowings | 125,191,255 | - | - | - |
| Other financial liabilities | 76,236,867 | - | - | - |
| **Total financial liabilities** | 247,875,002 | - | - | - |

** The fair value of these financial instruments is determined by using level 3 inputs of the fair value hierarchy.*

Fair value hierarchy

Level 1: This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair valuation method

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

A Financial Assets:

Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

B Financial Liabilities:

Borrowings: It includes cash credit and overdraft facilities, working capital loan and bill discounting facilities. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the loan is reset on a monthly/quarterly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

Trade payables and other liabilities: Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

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**33 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

The Company's principal financial liabilities comprise loans and borrowings, Provisions, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

**Risk management framework**

The Company's has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and current asset. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

The carrying amount of following financial assets represents the maximum credit exposure:

*Trade receivables*

The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base. The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.
The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers.

At 31 March 2019, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

| Particulars | For the Year ended 31st March 2019 | For the Year ended 31st March 2018 |
|---|---|---|
| India | 221,631,181 | 222,003,641 |
| | 221,631,181 | 222,003,641 |

*Expected credit loss assessment for corporate customers as at 31 March 2019 are as follows:*

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers. Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 360 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers:**
**As at 31 March 2019**

*(Amount in INR)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 207,912,910 | 0.02% | 41,449 | No | 207,871,461 |
| Past due 1–90 days | 12,348,787 | 0.50% | 61,314 | No | 12,287,473 |
| Past due 91–180 days | 1,260,724 | 3.60% | 45,342 | No | 1,215,382 |
| Past due 181–270 days | 88,615 | 11.43% | 10,129 | No | 78,486 |
| Past due 271–360 days | 20,145 | 34.46% | 6,943 | No | 13,202 |
| Above 360 days | - | 100.00% | - | Yes | - |
| | 221,631,181 | | 165,177 | | 221,466,005 |

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**As at 31 March 2018**

*(Amount in INR)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 100,726,521 | 0.12% | 117,326 | No | 100,609,194.75 |
| Past due 1–90 days | 117,373,162 | 0.63% | 745,144 | No | 116,628,017.81 |
| Past due 91–180 days | 3,741,148 | 4.28% | 160,019 | No | 3,581,129.51 |
| Past due 181–270 days | 100,750 | 8.48% | 8,548 | No | 92,202.21 |
| Past due 271–360 days | - | 29.47% | - | No | - |
| Above 360 days | 62,061.70 | 100.00% | 62,062 | Yes | - |
| | 222,003,643 | | 1,093,098 | | 220,910,544 |

**Movement in allowance for impairment in respect of trade receivables:**
**The movement in the allowance for impairment in respect of trade receivables during the year was as follows:**

*(Amount in INR)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Balance as at the beginning of the year** | 1,093,098 | - |
| Impairment loss allowances recognised/ (reversed) | (927,922) | 1,093,098 |
| **Balance as at the end of the year** | 165,177 | 1,093,098 |

Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Cash and cash equivalents includes investment in fixed deposits with banks.

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

**i) Financing arrangement**

The Company maintains the following line of credit:

(i) The Company has taken cash credit having interest rate of 0.60%+3m MCLR. These facilities are repayable on demand and are secured primarily by way of pari passu first charge on the entire current assets of the Company on both present and future and collateral by way of pari passu first charge on the entire fixed assets of the Company including capital goods and capital work in progress excluding charge on vehicles both present and future of the Company. The facility is supported with Quess Corp's guarantee.

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

*(Amount in INR)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Expiring within one year (cash credit and overdraft facilities) | 81,408,410 | 125,191,255 |
| Expiring within one year (bill discounting facility) | - | - |

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019**

*(Amount in INR)*

| Particulars | Contractual cash flows | | | | |
|---|---|---|---|---|---|
| | Carrying amount | 0-1 years | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 81,408,410 | 81,408,410 | - | - | - |
| Trade payables | 51,217,272 | 51,217,272 | - | - | - |
| Other financial liabilities | 3,589,465 | 3,589,465 | - | - | - |

**As at 31 March 2018**

As disclosed in note 19 and note 19.1, the Company has a secured bank loan that contains a loan covenant. A future breach of covenant may require Company to repay the loan earlier than indicated in the above table. Except for these financial liabilities, it is not expected that cash flows included in maturity analysis could occur significantly earlier.

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long-term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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i) Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the related entities.

Exposure to currency risk

The summary of quantitative data about the Company's exposure to currency risk as reported to management is as follows:

| Particulars | Currency | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|---|
| | | Foreign currency* | Amount in Reporting Currency | Foreign currency* | Amount in Reporting Currency |
| Other liabilities | EUR | 52,860 | 4,105,763 | - | - |
| | | 52,860 | 4,105,763 | - | - |

*Foreign currency values are in actuals and not recorded in lakhs.

The following significant exchange rates have been applied

| Particulars | Year end spot rate | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| EUR/ INR | 77.67 | - |

Sensitivity analysis

A reasonably possible strengthening/ (weakening) of the USD, EURO, SAR and CAD against INR at 31 March 2019 and 31 March 2018 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

*(Amount in INR)*

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| 31 March 2019 | | | | |
| EURO (8% movement) | (328,461) | 328,461 | (237,083) | 237,083 |

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowing comprises of invoice discounting facility which carries fixed rate of interest and borrowings from holding company, which do not expose it to significant interest rate risk.

Interest rate risk exposure

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate borrowings | 81,408,410 | 125,191,255 |
| Total borrowings | 81,408,410 | 125,191,255 |

(b) Sensitivity

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% Increase | 1% decrease | 1% Increase | 1% decrease |
| 31 March 2019 | | | | |
| Variable rate borrowings | (814,084) | 814,084 | (587,606) | 587,606 |
| 31 March 2018 | | | | |
| Variable rate borrowings | (1,251,913) | 1,251,913 | (903,630) | 903,630 |

34 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of Non-current borrowing and current borrowing, less cash and cash equivalents.

The Company's policy is to keep the ratio below 2.50. The Company's adjusted net debt to equity ratio are as follows:

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total liabilities | 270,584,730 | 284,597,733 |
| Less: Cash and cash equivalents | 208,897 | 151,079 |
| Adjusted net debt | 270,375,833 | 284,446,654 |
| Total equity | 217,676,427 | 212,199,740 |
| Less: Effective portion of cash flow hedges and cost of hedging | - | - |
| Total equity | 217,676,427 | 212,199,740 |
| Net debt to equity ratio | 1.24 | 1.34 |

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35 Earnings per share

*(Amount in INR except number of shares and per share data)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Nominal value of equity shares | 10 | 10 |
| Net profit after tax for the purpose of earnings per share | 6,420,191 | 9,620,045 |
| Weighted average number of shares used in computing basic earnings per share | 182,083 | 182,083 |
| **Basic earnings per share** | 35.26 | 52.83 |
| Weighted average number of shares used in computing diluted earnings per share | 182,083 | 182,083 |
| **Diluted earnings per share** | 35.26 | 52.83 |

36 Expenditure in foreign currency

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Software Purchases | 9,220,535 | - |
| | 9,220,535 | - |

37 Related party disclosures

(i) Name of related parties and description of relationship:

| | |
|---|---|
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Subsidiaries, associates and joint venture | Refer Note (ii) |
| - Entity having common directors | Vedang Radio Technologies Private Limited<br>Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 19 December 2018) |

**Key executive management personnel**

| Name | Designation |
|---|---|
| Ashish Kapoor | Director and CEO |
| Satish Kumar | Director |
| Neil Ejiah | Director |
| Srinivasan Guruprasad | Director |
| Lohit Bhatia | Director |

(ii) List of subsidiaries (including step-subsidiaries), associates and joint venture

| Name of the entity | Nature of relation |
|---|---|
| Coachieve Solutions Private Limited | Subsidiary |
| MFX Infotech Private Limited | Subsidiary |
| Aravon Services Private Limited | Subsidiary |
| Brainhunter Systems Ltd. | Subsidiary |
| Mindwire Systems Limited | Subsidiary |
| Brainhunter Companies LLC, USA | Subsidiary |
| Quess (Philippines) Corp. | Subsidiary |
| Quess Corp (USA) Inc. | Subsidiary |
| Quesscorp Holdings Pte. Ltd. | Subsidiary |
| Quessglobal (Malaysia) Sdn. Bhd. | Subsidiary |
| Quess Corp Lanka (Private) Limited | Subsidiary |
| Comtel Solutions Pte. Ltd. | Subsidiary |
| Ikya Business Services (Private) Limited | Subsidiary |
| MFXchange Holdings, Inc. | Subsidiary |
| MFXchange US, Inc. | Subsidiary |
| MFXchange (Ireland) Limited | Subsidiary |
| Quess Corp Vietnam LLC | Subsidiary |
| MFX Chile SpA | Subsidiary |
| Dependo Logistics Solutions Private Limited | Subsidiary |
| CentreQ Business Services Private Limited | Subsidiary |
| Excelus Learning Solutions Private Limited | Subsidiary |
| Inticore VJP Advance Systems Private Limited | Subsidiary |
| Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) | Subsidiary |
| Master Staffing Solutions Private Limited | Subsidiary |
| Golden Star Facilities and Services Private Limited | Subsidiary |
| Comtelpro Pte. Limited. | Subsidiary |
| Comtelink Sdn. Bhd | Subsidiary |
| Monster.com (India) Private Limited | Subsidiary |
| Monster.com.SG PTE Limited | Subsidiary |
| Monster.com HK Limited | Subsidiary |
| Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn Bhd) | Subsidiary |

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Vedang Cellular Services Limited
Notes to the financial statements for the period 1 April 2018 to 31st Mar 2019

| | |
|---|---|
| Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | Subsidiary |
| Greenpiece Landscapes India Private Limited | Subsidiary |
| Simpliance Technologies Private Limited | Subsidiary |
| Quesscorp Management Consultancies (formerly known as Styracorp Management Services) | Subsidiary |
| Quesscorp Manpower Supply Services LLC [formerly known as S M S Manpower Supply Services (LLC)] | Subsidiary |
| Trimax Smart Infraprojects Private Limited | Associate |
| Terrier Security Services (India) Private Limited | Associate |
| Heptagon Technologies Private Limited | Associate |
| Quess Recruit, Inc. | Associate |
| Quess East Bengal FC Private Limited | Associate |
| Agency Pekerjaan Quess Recruit Sdn. Bhd. | Associate |
| Himmer Industrial Services (M) Sdn. Bhd. | Joint venture |

(iii) Related party transactions during the year

| Particulars | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Revenue from operations** | | | |
| | Vedang Radio Technologies Private Limited | 960,852 | 5,436,173 |
| **Other expenses** | | | |
| | Quess Corp Ltd | 25,000,000 | 20,000,000 |
| | Vedang Radio Technologies Private Limited | 2,250,000 | 509,802 |
| **Finance costs** | | | |
| - Interest expense | Vedang Radio Technologies Private Limited | - | 693,751 |
| | Quess Corp Ltd | 441,852 | 1,988,520 |
| **Loans taken From related parties** | | | |
| | Vedang Radio Technologies Private Limited | - | 68,000,000 |
| | Quess Corp Ltd | 80,000,000 | 100,000,000 |
| **Loans Repaid to related parties** | | | |
| | Vedang Radio Technologies Private Limited | - | 68,000,000 |
| | Quess Corp Ltd | 80,000,000 | 100,000,000 |
| **Deposit given to related parties** | | | |
| | Vedang Radio Technologies Private Limited | 1,000,000 | - |
| **Guarantees received** | | | |
| | Quess Corp Ltd | 150,000,000 | - |

(iv) Balance receivable from and payable to related parties as at the balance sheet date:

| Particulars | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Trade receivables (gross of loss allowance)** | | | |
| | Vedang Radio Technologies Private Limited | 960,852 | 26,685,872 |
| **Guarantees Outstanding** | | | |
| | Quess Corp Ltd | 150,000,000 | - |
| **Trade payables** | | | |
| | Vedang Radio Technologies Private Limited | 729,000 | - |
| **Loans payable to related parties** | | | |
| | Vedang Radio Technologies Private Limited | - | 68,000,000 |
| | Quess Corp Ltd | - | 100,000,000 |
| **Deposit given to related parties** | | | |
| | Vedang Radio Technologies Private Limited | 1,000,000 | - |

(v) Compensation of key managerial personnel*

| Particulars | For the Year ended 31st March 2019 | For the period ended 31st March 2018 |
|---|---|---|
| Ashish Kapoor | 8,051,412 | 7,763,250 |
| | 8,051,412 | 7,763,250 |

*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences since provision for these are based on an actuarial valuation carried out for the Company as a whole.

**Terms and conditions**

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

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38 Leases

***Operating Leases***
The Company has taken on lease offices and residential premises under operating leases. The leases typically run for a period of one to 5 years, with an option to renew the lease after that period. Lease payments are renegotiated at the time of renewal. The lease is cancellable in nature.

| Particulars | For the Year ended 31st March 2019 | For the Year ended 31st March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | 7,194,767 | 4,803,300 |
| - Non-cancellable | - | - |
| - Cancellable | 7,194,767 | 4,803,300 |

39 Assets and liabilities relating to employee benefits

*(Amount in INR)*

| Particulars | As at 31st March 2019 | As at 31st March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 4,936,321 | 2,557,637 |
| Liability for compensated absences | 682,898 | 1,100,445 |
| **Total employee benefit liability** | 5,619,219 | 3,658,082 |
| Current | 2,663,069 | 2,124,810 |
| Non-current | 2,956,150 | 1,533,272 |
| | 5,619,219 | 3,658,082 |

The Company does not have any assets relating to employee benefits.
The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act,1972. It entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

A) Reconciliation of net defined benefit liability/ asset
The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

| Particulars | 1 April 2018 to 31st March 2019 | 1 April 2017 to 31st March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| ***Reconciliation of present value of defined benefit obligation*** | | |
| Obligation at the beginning of the year | 2,557,637 | 6,541,467 |
| Additions through business combination | - | - |
| Current service cost | 1,239,180 | 2,487,691 |
| Interest cost | 171,240 | 477,188 |
| Past service cost | - | - |
| Benefit settled | - | - |
| Actuarial (gains)/ losses recognized in other comprehensive income | - | - |
| - Changes in experience adjustments | 953,189 | (4,520,166) |
| - Changes in demographic assumptions | - | (2,949,631) |
| - Changes in financial assumptions | 15,075 | 521,088 |
| **Obligation at the end of the year** | 4,936,321 | 2,557,637 |

B) i) Expense recognised in profit or loss

| Particulars | For the year ended 31st March 2019 | For the year ended 31st March 2018 |
|---|---|---|
| Current service cost | 1,239,180 | 2,487,691 |
| Interest cost | 171,240 | 477,188 |
| Past service cost | - | - |
| Interest income | - | - |
| **Net gratuity cost** | 1,410,420 | 2,964,879 |

ii) Remeasurement recognised in other comprehensive income

| Particulars | For the year ended 31st March 2019 | For the year ended 31st March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | 968,264 | (6,948,709) |
| Remeasurement of the net defined benefit asset | - | - |
| | 968,264 | (6,948,709) |

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C) Defined benefit obligation - Actuarial Assumptions

| Particulars | As at 31st March 2019 | As at 31st March 2018 |
|---|---|---|
| Interest rate | | |
| Discount rate | 6.69% | 6.55% |
| Future salary growth | 7.50% | 7.50% |
| Attrition rate | 62.00% | 62.00% |
| Average duration of defined benefit obligation (in years) | - | |

D) Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

| | As at 31st March 2019 | | As at 31st March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 4,837,409 | 5,039,047 | 2,501,799 | 2,615,775 |
| Future salary growth (1% movement) | 5,037,036 | 4,837,416 | 2,614,791 | 2,501,696 |
| Within 1 year | - | - | - | - |
| 2-5 years | - | - | - | - |
| 6-10 years | - | - | - | - |
| more than 10 years | - | - | - | - |
| Attrition rate (50% movement) | 3,455,729 | 8,692,652 | 1,625,484 | 5,364,159 |

40 Dues to micro, small and medium enterprises
The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company.

Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

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41 Revenue from Contracts with customers

(i) Disaggregation of revenue

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

Year ended 31 March 2019

(Amount in INR)

| Particulars | Industrials | Total |
|---|---|---|
| Revenues by Geography | | |
| India | 1,071,561,866 | 1,071,561,866 |
| Total | 1,071,561,866 | 1,071,561,866 |

Revenue disaggregation as per segment and geography has been included in segment information (Refer note 42).

(ii) Trade Receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.
Invoicing in excess of earnings are classified as unearned revenue.
Trade receivable and unbilled revenues are presented net of impairment in the Standalone Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

(Amount in INR)

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 221,466,003 | 220,910,543 |
| Contract assets (Unbilled revenue) | 83,312,789 | 130,763,155 |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | - |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

(Amount in INR)

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 130,763,155 |
| Add : Revenue recognized during the period | 82,829,296 |
| Less : Invoiced during the period | (130,279,662) |
| Less : Impairment / (reversal) during the period | |
| Add: Changes due to Business Combinations | |
| Add : Translation gain/(Loss) | |
| Balance at the end | 83,312,789 |

(iii) Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the company has not disclosed the value of remaining performance obligations for
(i) contracts with an original expected duration of one year or less and
(ii) contracts for which the company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is NIL.

(iv) Changes in accounting policies

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these Standalone financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The quantitative impact of the adoption of Ind AS 115 on the standalone financial statements in the period of initial application is not material.

VARMA & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

VEDANG CELLULAR SERVICES PRIVATE LIMITED MUMBAI

42 **Segment reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is in the business of Providing Network Planning, Network Optimization in Building Solution, Installation & Commissioning & Skilled Manpower Supply Services to Wireless Telecom operator & Venders for group companies and other external clients which are considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

43 Previous year figures are reclassified/regrouped wherever necessary.

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
**for Vasan & Sampath LLP**
**Chartered Accountants**
Firm's Registration No.: 004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Partner - Unnikrishnan Menon**
**Membership No - 205703**

Place: Bangalore
Date:

**for and on behalf of the Board of Directors of**
**Vedang Cellular Services Private Limited**

AKapoor

**Ashish Kapoor**
**DIN.02752632**

Place: Bangalore
Date: 07-05-2019

Neil Elijah

**Neil Elijah**
**DIN: 06633420**

Place: Bangalore
Date: 07-05-2019

**Srinivasan Guruprasad**
**DIN: 07596207**

Place: Bangalore
Date: 07-05-2019

VEDANG CELLULAR SERVICES PRIVATE LIMITED MUMBAI

# QUESSCORP HOLDINGS PTE. LTD.

## Company Reg. No.: 201526129N

### DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Joe Tan & Associates PAC
Chartered Accountants

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Incorporated with Limited Liability Regn No. 200801266N

**QUESSCORP HOLDINGS PTE. LTD.**
**(Company Reg. No.: 201526129N)**

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**8DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

CONTENTS

**QUESSCORP HOLDINGS PTE. LTD.**
**(Company Reg. No.: 201526129N)**

**DIRECTORS' STATEMENT**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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The directors are pleased to present the statement to the members together with the audited financial statements of Quesscorp Holdings Pte. Ltd. (the "Company") for the financial year ended 31 March 2019.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Subrata Kumar Nag
Ajit Abraham Isaac
Jur Keckeis Roman Werner
Sandro Lang

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE OF SHARES OR DEBENTURES

Neither at the end nor at any time during the financial year was the Company a party to any arrangement whose object are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

## 4. DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The directors of the company holding office at the end of the financial year had no interest of the share capital or debentures of the company or of related corporations either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

| | Shareholdings in the name of the directors | |
|---|---|---|
| | As at 01.04.2018 | As at 31.03.2019 |
| The Holding Company | (No. of ordinary shares) | |
| Ajit Abraham Isaac | 17,585,960 | 17,654,674 |
| Subrata Kumar Nag | 45,128 | 68,154 |

## 5. SHARES OPTIONS

There were no shares options granted during the financial year to subscribe for unissued shares of the Company or any corporation in the group.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the group.

There were no unissued shares of the Company or any corporation in the group under shares option at the end of the financial year.

## 6. AUDITORS

**JOE TAN & ASSOCIATES PAC,** Public Accountants and Chartered Accountants, has expressed its willingness to accept appointment as Auditors.

On behalf of the Board of Directors

Subrata Kumar Nag
**Subrata Kumar Nag**
Director

**Ajit Abraham Isaac**
Director

Singapore

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**QUESSCORP HOLDINGS PTE. LTD.**

**Report on the Financial Statements**

*Opinion*

We have audited the financial statements of Quesscorp Holdings Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of matter*

1. The Company's current liabilities exceed its total current assets by S$ 11,201,768. As detailed in Note 2, these events and conditions indicate that a material uncertainty exists that may cause significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the holding company has committed to give continued financial support to the Company. In the event that there is no continued financial support, the going concern basis would be invalid and provision would have to be made for any loss on realisation of the Company's assets and further costs which might arise.

2. We draw attention to Note 4, 5 and 6 of the financial statements. Included in the cost of investment is an amount of S$ 9,272,997 whereby the subsidiaries, joint venture and other investment's financial statements showed negative equities as at 31 March 2019. No impairment has been provided as the management forecasted recoverable value exceeds the carrying value. In the events that there are material changes in the estimates used and the market conditions, necessary adjustments would be required to write down or impair the carrying value of the investments accordingly.



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We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The directors' responsibilities include overseeing the Company's financial reporting process.





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*Auditor's Responsibilities for the Audit of the Financial Statements.*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducts in accordance with SSAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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*Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Joe Tan & Associates PAC

**JOE TAN & ASSOCIATES PAC**
Public Accountants and
Chartered Accountants

Singapore
20 MAY 2019



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QUESSCORP HOLDINGS PTE. LTD.
(Company Reg. No.: 201526129N)

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment in subsidiaries | 4 | 65,645,680 | 65,006,105 |
| Investment in joint venture | 5 | 15,868 | 15,868 |
| Other investment | 6 | 280,496 | 280,496 |
| Property, plant and equipment | 7 | - | - |
| **Total non-current assets** | | 65,942,044 | 65,302,469 |
| **Current assets** | | | |
| Trade and other receivables | 8 | 14,948,460 | 12,315,696 |
| Cash and cash equivalents | 9 | 628,352 | 2,102,134 |
| **Total current assets** | | 15,576,812 | 14,417,830 |
| **TOTAL ASSETS** | | 81,518,856 | 79,720,299 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 10 | 41,270,076 | 34,480,433 |
| Retained earnings | | 2,230,820 | (1,071,299) |
| Capital reserve | | 86,327 | 88,580 |
| Translation reserve | | (7,122) | - |
| **Total equity** | | 43,580,101 | 33,497,714 |
| **Non-current liabilities** | | | |
| Trade and other payables | 11 | 2,731,462 | 23,903,905 |
| Bank borrowings | 12 | 8,428,713 | 17,599,782 |
| **Total non-current liabilities** | | 11,160,175 | 41,503,687 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 21,149,639 | 1,782,238 |
| Bank borrowings | 12 | 5,618,692 | 2,936,660 |
| Provision for tax | | 10,249 | - |
| **Total current liabilities** | | 26,778,580 | 4,718,898 |
| **TOTAL EQUITY AND LIABILITIES** | | 81,518,856 | 79,720,299 |

The accompanying notes form an integral part of these financial statements

QUESSCORP HOLDINGS PTE. LTD.
(Company Reg. No.: 201526129N)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Revenue** | 13 | 1,460,797 | 452,592 |
| Cost of services | | - | (360,475) |
| **Gross Profit** | | 1,460,797 | 92,117 |
| **Add:** | | | |
| Other income | 14 | 4,820,055 | 185,684 |
| **Less :** | | | |
| Administrative costs | | (2,090,933) | (289,202) |
| Finance costs | 15 | (877,551) | (940,398) |
| **Profit/ (Loss) before income tax** | 16 | 3,312,368 | (951,799) |
| Income tax expense | 17 | (10,249) | - |
| **Profit/ (Loss) for the year** | | 3,302,119 | (951,799) |
| **Other comprehensive income after tax:-** | | | |
| Item that will be recognised subsequently to profit/ (loss) - Currency translation differences | | (7,122) | - |
| Item that will not be recognised subsequently to profit/ (loss) - Surplus arising from acquisition of net assets of a sole establishment for formation of Company's branch in Dubai | | (2,253) | 88,580 |
| **Other comprehensive income for the year, net of tax** | | (9,375) | 88,580 |
| **Total comprehensive income/ (loss) for the year** | | 3,292,744 | (863,219) |

QUESSCORP HOLDINGS PTE. LTD.
(Company Reg. No.: 201526129N)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | Share Capital S$ | Retained Earnings S$ | Capital Reserve S$ | Translation Reserve S$ | Total S$ |
|---|---|---|---|---|---|---|
| **Balance as at 1 April 2017** | | 12,332,075 | (119,500) | - | - | 12,212,575 |
| Issue of shares during the year | | 22,148,358 | - | - | - | 22,148,358 |
| Other comprehensive income | | - | - | 88,580 | - | 88,580 |
| Loss for the year, representing | | - | (951,799) | - | - | (951,799) |
| total comprehensive loss for the year | | - | (951,799) | 88,580 | - | (863,219) |
| **Balance as at 31 March 2018** | | 34,480,433 | (1,071,299) | 88,580 | - | 33,497,714 |
| Issues of shares during the year | **10** | 6,789,643 | - | - | - | 6,789,643 |
| Other comprehensive income | | - | - | (2,253) | (7,122) | (9,375) |
| Profit for the year, representing | | - | 3,302,119 | - | - | 3,302,119 |
| total comprehensive income for the year | | - | 3,302,119 | (2,253) | (7,122) | 3,292,744 |
| **Balance as at 31 March 2019** | | 41,270,076 | 2,230,820 | 86,327 | (7,122) | 43,580,101 |

The accompanying notes form an integral part of these financial statements

QUESSCORP HOLDINGS PTE. LTD.
(Company Reg. No.: 201526129N)

## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/ (loss) before income tax | | 3,312,368 | (951,799) |
| *Adjustments for :* | | | |
| Foreign translation reserve | | (7,122) | - |
| Unrealised foreign exchange gain | | (972,359) | 75,339 |
| (Deposit) / surplus arising from acquisition of net assets of a sole establishment for formation of Company's branch in Dubai | | (2,253) | 88,580 |
| Interest expense | | 877,551 | 940,398 |
| Interest income | | (355,863) | (185,480) |
| **Operating cash flows before working capital changes** | | 2,852,322 | (32,962) |
| *Working capital changes:* | | | |
| Increase in trade and other receivables | | (2,632,764) | (6,046,905) |
| Decrease in trade and other payables | | (1,805,042) | (782,036) |
| **Net cash used in operating activities** | | (1,585,484) | (6,861,903) |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries | | (639,575) | (10,806,585) |
| Decrease in other investments | | - | 143,726 |
| Interest received | | 355,863 | 185,480 |
| **Net cash used in investing activities** | | (283,712) | (10,477,379) |
| **Cash flows from financing activities** | | | |
| Loan Interests paid | | (877,551) | (940,398) |
| (Increase)/ decrease in pledged of bank balances | | (376,743) | 611,739 |
| Repayment of bank borrowings | A | (5,508,279) | (2,642,142) |
| Proceeds from issuance of shares | | 6,789,643 | 22,148,358 |
| **Net cash generated from financing activities** | | 27,070 | 19,177,557 |
| **Net (decrease) / increase in cash and cash equivalents** | | (1,842,126) | 1,838,275 |
| **Effect of exchange rate changes in cash and cash equivalents** | | (8,399) | (5,242) |
| **Cash and cash equivalents at beginning of the year** | | 1,902,051 | 69,018 |
| **Cash and cash equivalents at end of the year** | 9 | **51,526** | **1,902,051** |

**Note A: Reconciliation of liabilities arising from financing activities**
The table below details ahcnges in the Company's liabilities arising from financing activites.

| | At beginning of year S$ | Financing cash flows S$ | Non-cash changes S$ | At end of year S$ |
|---|---|---|---|---|
| **2019** | | | | |
| Bank borrowings | 20,536,442 | (5,508,279) | (980,758) | 14,047,405 |
| | 20,536,442 | (5,508,279) | (980,758) | 14,047,405 |
| **2018** | | | | |
| Bank borrowings | 23,178,584 | (2,642,142) | - | 20,536,442 |
| | 23,178,584 | (2,642,142) | - | 20,536,442 |

## 1. General

The Company is a private company limited by shares and incorporated and domiciled in the Republic of Singapore.

The registered office address of the Company is 8 Temasek Boulevard, #32-01 Suntec Tower Three, Singapore 038988.

The principal activities of the Company are those of investment holding and providing other information service activities and IT support service and trading. The principal activities of the subsidiaries are disclosed in Notes 4 to the financial statements. During the financial year, the Company also operates a branch in Dubai.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements are presented in the Singapore dollar and are prepared in accordance with the provisions of the Singapore Companies Act. Cap. 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (S$), which is the Company's functional currency. All financial information presented in Singapore Dollar, unless otherwise indicated.

### GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis as at 31 March 2019. The Company's current liabilities exceed its current assets by S$ 11,201,768. This indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the undertaking of its holding company, Quesscorp Limited, to provide continuing financial support to enable the Company to meet its liabilities as and when they fall due.

### ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2018. Except for the adoption of FRS 109 *Financial Instruments* and FRS 115 *Revenue from Contracts with Customers* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

(a) FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five -step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS – CONTINUED

(a) FRS 115 *Revenue from Contracts with Customers - continued*

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application did not have impact to the the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and related interpretations.

(b) FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 January 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39.

However, the adoption of FRS 109 has no significant effects on the Company's accounts for both years.

### STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. The Company does not plan to early adopt these standards.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### STANDARDS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

| Reference | Description | Effective for annual periods beginning on or after |
|---|---|---|
| FRS 116 | Leases | 1 Jan 2019 |
| INT FRS 123 | Uncertainty over Income Tax Treatments | 1 Jan 2019 |
| Amendments to FRS 28 | Investments in Associate (Long term interests in associates and Joint Venture) | |
| Amendments to FRS 19 | Employee benefits (Plan amendments curtailment or settlement) | 1 Jan 2019 |
| Amendments to FRS 109 | Prepayment Features with Negative Compensation | 1 Jan 2019 |
| Annual improvement 2019 | | |
| FRS 103 | Business combination (Previously held interest in a joint operation) | 1 Jan 2019 |
| FRS 111 | Joint arrangement (Previously held interest in a joint operation) | 1 Jan 2019 |
| FRS 112 | Income taxes (Income tax consequences of payments on financial instruments classified as equity) | 1 Jan 2019 |
| FRS 23 | Borrowing costs (Borrowing costs eligible for capitalisation) | 1 Jan 2019 |
| Amendments to FRS 103 | Business Combinations (Definition of a business) | 1 Jan 2020 |
| FRS 117 | Insurance contracts | 1 Jan 2021 |
| FRS 110 | Consolidated financial statement and FRS 28 Investment in associates and joint venture (Sale or contribution of assets between an investor and its associate or joint venture) | To be determined |

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of 116 is described below.

*FRS 116 Leases*
FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### STANDARDS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

Management anticipates that the initial application of the new FRS 116 will likely result in changes to the accounting policies relating to the Company's leases. Management does not intend to early adopt FRS 116, which is effective from financial year beginning 1 January 2019 and will perform a detailed assessment of the possible impact of implementing FRS 116 before its implementation date.

### BASIS OF CONSOLIDATION

The company did not consolidate the accounts of its subsidiary due to the exemption under FRS110 Consolidated Financial Statements as follows:

a) it is wholly owned subsidiary of another entity:
b) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the counter market, including local and regional markets):
c) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market: and
d) its ultimate parent produces consolidated financial statements that are available for public use.

### FINANCIAL INSTRUMENTS

(a) These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

a) **Financial assets**
**Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

**Subsequent measurement**

*Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, Fair value through other comprehensive income (FVOCI) and FVPL. The Company only has debt instruments at amortised cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### STANDARDS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process

**Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

b) **Financial liabilities**
**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

<u>(b) These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:</u>

a) **Financial assets**
**Initial recognition and measurement**

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### STANDARDS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

#### a) Financial assets - continued

**Subsequent measurement**

*Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise trade and other receivables and cash and cash equivalents. Cash and cash equivalents comprise cash at bank, fixed deposits and cash on hand.

**De-recognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

#### b) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Such financial liabilities comprise trade and other payables.

**De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**IMPAIRMENT OF FINANCIAL ASSETS**

(a) These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 -months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### IMPAIRMENT OF FINANCIAL ASSETS - CONTINUED

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### CASH AND CASH EQUIVALENTS

Cash and bank balances in the statement of financial position comprise cash on hand, cash at bank and demand deposits which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank and fixed deposits.

### EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

### INVESTMENT IN SUBSIDIARY

The investment in subsidiary is carried at cost less any accumulated allowance for impairment. On disposal of investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### INVESTMENT IN JOINT VENTURE

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

The Company recognises its interest in joint venture as an investment. Investment in joint venture is carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investment, the difference between disposal proceeds and the carrying amount of the investment are recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### OTHER FINANCIAL LIABILITIES

**Trade and other payables**

Trade and other payables, excluding advances received, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

**Borrowings**

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see above).

### RELATED PARTIES

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Company if that person:

   (i) Has control or joint control over the Company;
   (ii) Has significant influence over the Company; or
   (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions apply:

   (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint venture of the same third party.
   (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
   (vi) The entity is controlled or jointly controlled by a person identified in (a);
   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (viii)The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### PROVISIONS

#### General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### SHARE CAPITAL

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### LEASES

#### Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### REVENUE RECOGNITION

<u>(a) These accounting policies are applied before the initial application date of FRS 115, 1 January 2018:</u>

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time.

**(a) Rendering of services**

Revenue from rendering of services is recognised when services are rendered and upon customers' acceptance.

**(b) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### REVENUE RECOGNITION - CONTINUED

(a) These accounting policies are applied after the initial application date of FRS 115, 1 January 2018:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

**(a) Rendering of services**

Services rendered are accounted for separately in the transaction price and it is supported by contracts with the customers. In accordance with FRS115, the Company has recognised the revenue only when they have satisfied the performance obligation promised in the contract. No revenue is recognised when there is significant uncertainty on the collectability of consideration due. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

**(b) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

### GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

### TAXES

(a) **Current Income Tax**
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(b) Deferred Tax**
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilitsed. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### TAXES- CONTINUED

#### (c) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

(i) Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Judgments made in applying accounting policies

(i) Determination of functional currency

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.



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## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES - CONTINUED

(ii) De-facto control

De-facto control exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the investee.

The Company holds 49% of voting rights in Monster Malaysia Sdn. Bhd. with the remaining 51% of voting rights being held by an unrelated individual shareholder.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Impairment of loans and receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade and other receivables is disclosed in Note 8. The carrying amount of the Company's trade receivables as at 31 March 2019 was S$14,948,460 (2018: S$ 12,315,696).

(ii) Provision for income taxes

The Company has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Company's income tax payable as at 31 March 2018 was S$ 10,249 (2018: S$ NIL).



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## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES - CONTINUED

(iii) Estimated impairment of subsidiaries

When a subsidiary is in net equity deficit and has suffered operating losses, a test is made whether the investment in the investee has suffered any impairment in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future probability of the investee, including factors such as industry and sector performance, and operational and financial cash flow.

## 4. INVESTMENT IN SUBSIDIARIES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Unquoted equity shares, at cost | 65,645,680 | 65,006,105 |
| Less: Allowance for impairment of investment in subsidiaries | - | - |
| | 65,645,680 | 65,006,105 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation/ Place of business | Percentage of equity held | | Cost of investment | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 | |
| | | % | % | S$ | S$ | |
| Comtel Solutions Pte. Ltd. (1) | Singapore | 100 | 64 | 53,233,505 | 53,233,505 | Staffing |
| Comtelpro Pte. Limited | Singapore | 100 | 51 | 602,000 | 102,000 | Staffing |
| MFXchange Holdings, Inc. (2) | Canada | 51 | 51 | 527,853 | 388,278 | Information Technology |
| Quessglobal Malaysia Sdn. Bhd. | Malaysia | 100 | 100 | 180,086 | 180,086 | Staffing |
| Ranstad Lanka (Private) Limited | Sri Lanka | 100 | 100 | 785,857 | 785,857 | IT Staffing |
| Monster.Com. HK Limited | Hong Kong | 100 | 100 | 353,690 | 353,690 | web-based career services agency |
| Monster. Com. Sg Pte Limited | Singapore | 100 | 100 | 7,493,092 | 7,493,092 | web-based career services agency |
| Monster Malaysia Sdn. Bhd. | Malaysia | 51 | 51 | 2,469,597 | 2,469,597 | web-based career services agency |
| | | | | 65,645,680 | 65,006,105 | |

(1) Shares in this subsidiary is pledged to a bank for bank loan. (Note 12)
(2) 49% equity interest in subsidiary is held by a related company.

## 4. INVESTMENT IN SUBSIDIARIES – CONTINUED

The holding company has undertaken the responsibility to provide financial support to all the above subsidiaries in the event that the investments in these subsidiaries are impaired. As a result, no impairment allowance is made for the following subsidiaries whose total equities are lower than that of the company's cost of investments in the subsidiaries and that the management's forecasted recoverable value is higher than carrying value based on the assumption used and market condition.

In line with Singapore Companies Act Cap 50 section 201(1) (2) (11) and FRS 110 the Company is exempt from presenting consolidated accounts. The Company satisfies all the conditions of FRS 110 paragraph 4(a) from presenting consolidated financial statements for the year;

i) it is wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent presenting consolidated financial statements;
ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
iii) it did not file, nor it is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
iv) its ultimate or any intermediate parent produces consolidated financial statements that are available for public use.

## 5. INVESTMENT IN JOINT VENTURE

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Unquoted equity shares, at cost | 15,868 | 15,868 |
| | 15,868 | 15,868 |

Details of the joint venture are as follows:

| Name of joint venture | Country of incorporation/ Place of business | Percentage of equity held | | Cost of investment | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2019 % | 2018 % | 2019 S$ | 2018 S$ | |
| HImmer Industrial (Malayisa) Sdn. Bhd. | Malaysia | 49 | 49 | 15,868 | 15,868 | IT Engineering |

## 6. OTHER INVESTMENTS

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Investment in sole establishments | 280,496 | 280,496 |
| | 280,496 | 280,496 |

This relates to an interest in sole establishment incorporated in Dubai which is held in trust by an individual director.

Other investments are stated at cost less accumulated impairment loss, if any.

## 7. PLANT AND EQUIPMENT

| | Furniture & fittings S$ | Office Equipment S$ | Total S$ |
|---|---|---|---|
| **Cost:** | | | |
| At 31.03.2018 | 98,967 | 27,778 | 126,745 |
| At 31.03.2019 | 98,967 | 27,778 | 126,745 |
| **Accumulated depreciation:** | | | |
| At 31.03.2018 | 98,967 | 27,778 | 126,745 |
| At 31.03.2019 | 98,967 | 27,778 | 126,745 |
| **Net carrying value:** | | | |
| At 31.03.2018 | - | - | - |
| At 31.03.2019 | - | - | - |

## 8. TRADE AND OTHER RECEIVABLES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Trade receivables | | |
| - Third parties | - | 299,404 |
| Unbilled revenue | 755,480 | 172,774 |
| | 755,480 | 472,178 |
| Loan receivables from subsidiaries | 6,175,465 | 2,177,374 |
| Loan receivables from related companies | 4,886,351 | 6,801,739 |
| Loan receivables from third party | 2,718,143 | 2,588,708 |
| Amount due from related companies | 71,212 | 57,213 |
| Amount due from subsidiary | 127,044 | - |
| Interest receivables | 7,100 | 7,100 |
| Deposits | 25,242 | 25,866 |
| Prepayments | 5,134 | 12,045 |
| Other receivables | 177,289 | 173,473 |
| | 14,948,460 | 12,315,696 |

Trade receivables are non-interest bearing and are generally on 30 to 60 days' term.

Unbilled revenue refers to services rendered but not yet billed to customers.

Related companies comprise of companies which are controlled or significantly influenced by the Company's directors.

Loan receivable from third party is unsecured, bear interest at 5% per annum and is repayable on demand.

Loan receivables from subsidiaries and related companies are unsecured, bear interest at 2.25% (2018: 2.25%) per annum and are repayable on demand.

Amount due from related companies and other receivables are non-trade in nature, unsecured, interest free and has no fixed term of repayment.

Receivables that are not past due and not impaired

These trade receivables were unsecured and the analysis of their aging at the reporting date was as follows:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Not past due and not impaired | - | 299,404 |
| | - | 299,404 |

## 9. CASH AND CASH EQUIVALENTS

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Cash at banks | 628,352 | 302,134 |
| Fixed deposit | - | 1,800,000 |
| | 628,352 | 2,102,134 |

Cash at banks of S$ 576,826 (2018: S$ 200,083) are pledged in connection of bank loan obtained. (Notes 12).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Cash at banks | 628,352 | 2,102,134 |
| Less: Pledged bank balances | (576,826) | (200,083) |
| Cash and cash equivalents | 51,526 | 1,902,051 |

## 10. SHARE CAPITAL

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | No. of shares | S$ | No. of shares | S$ |
| Issued and fully paid ordinary shares | | | | |
| At beginning of financial year | 34,480,433 | 34,480,433 | 12,332,075 | 12,332,075 |
| Issue of shares during the year | 6,789,643 | 6,789,643 | 22,148,358 | 22,148,358 |
| At end of financial year | 41,270,076 | 41,270,076 | 34,480,433 | 34,480,433 |

On 23 June 2017, the Company issued 2,704,017 ordinary shares for a total consideration of S$2,704,017 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

On 21 August 2017, the Company issued 424,517 ordinary shares for a total consideration of S$424,517 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

On 25 September 2017, the Company issued 414,069 ordinary shares for a total consideration of S$414,069 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

## 10. SHARE CAPITAL - CONTINUED

On 15 November 2017, the Company issued 312,739 ordinary shares for a total consideration of S$312,739 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

On 18 January 2018, the Company issued 3,925,200 ordinary shares for a total consideration of S$3,925,200 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

On 21 February 2018, the Company issued 14,367,816 ordinary shares for a total consideration of S$14,367,816 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

On 1 October 2018, the Company issued 3,937,392 ordinary shares for a total consideration of S$3,937,392 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

On 19 February 2019, the Company issued 2,852,251 ordinary shares for a total consideration of S$2,852,251 in cash to provide funds for investment in subsidiaries and loans to subsidiaries and related companies.

The newly issued ordinary shares ranked pari passu in all respects with the existing ordinary shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

## 11. TRADE AND OTHER PAYABLES

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Current Liabilities | | |
| Trade payables – Related Company | 99,282 | 161,539 |
| | 99,282 | 161,539 |
| | | |
| Accruals | 210,436 | 205,935 |
| Bank interest payables | 107,038 | 85,072 |
| Contingent consideration (1) | - | 857,643 |
| GST payable | 39,223 | 19,587 |
| Loan payable to related company | - | 391,866 |
| Loan payable to holding company | 20,652,847 | - |
| Other payables | 40,813 | 60,596 |
| | 21,149,639 | 1,782,238 |
| | | |
| Non-Current Liabilities | | |
| Contingent Consideration (2) | 2,699,922 | 23,903,905 |
| Other payables | 31,540 | - |
| | 2,731,462 | 23,903,905 |

## 11. TRADE AND OTHER PAYABLES - CONTINUED

(1) The contingent consideration was payable for the acquisition of Monster. Com. Sg Pte Limited and Monster.Com. HK Limited.

(2) On 14 February 2017, the Company entered into share purchase agreement to acquire the share capital of Comtel Solutions Pte. Ltd. ("Comtel"), a Singapore-based company engages mainly in consultancy service, from a third party ("Vendor") in 4 tranches as follows:

First tranche
320,000 shares (64% of equity interest) to be acquired on 14 February 2017.

Second tranche
55,000 shares (11% of equity interest) to be acquired on 31 March 2018.

Third tranche
55,000 shares (11% of equity interest) to be acquired on 31 March 2019.

Fourth tranche
70,000 shares (14% of equity interest) to be acquired at the option of the Vendor, on a date between 1 April 2019 to 31 March 2022.

During the financial year, the share purchase agreement has been amended and restated. The second tranche consideration is now equivalent to S$ 22,000,000 and a separate dividend payout of S$ 5,000,000 by a subsidiary. The amount is payable in four instalments of which S$ 19,000,000 has been paid during the year. The balance of S$ 3,000,000 is to be paid on three equal instalments on 31 October 2019, 2020 and 2021.

Trade payables are non-interest bearing and are generally settled on 30 days' term.

Other payables are non-trade in nature, unsecured, interest free and have no fixed term of repayment.

Loan payable to holding company in 2019 is unsecured, bear interest at 10 year India government bond rate to 7.54% and is repayable in 12 months.

## 12. BANK BORROWINGS

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Bank borrowings | 14,047,405 | 20,536,442 |

## 12. BANK BORROWINGS - CONTINUED

The present value of bank loans are analysed as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Current liabilities | | |
| - Repayable within one year | 5,618,692 | 2,936,660 |
| Non-current liabilities | | |
| - Repayable more than one year | 8,428,713 | 17,599,782 |
| | 14,047,405 | 20,536,442 |

Bank borrowings bear interest at 3 months Libor rate plus 2.50% per annum and is repayable in 8 instalments. The bank borrowings are secured by:

(i) Fixed and current assets of the Company excluding long-term investment;
(ii) Undertaking from its holding company for non-disposal of shares of the Company;
(iii) Investment in a subsidiary acquired during the financial year 2017. (Note 4);
(iv) Bank accounts maintained with the bank (Note 9); and
(v) Corporate guarantee from its holding company.

Bank borrowings are denominated in United States dollar.

## 13. REVENUE

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Rendering of services | 1,460,797 | 452,592 |

## 14. OTHER INCOME

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Unrealised foreign exchange gain | 980,758 | - |
| Interest income from subsidiaries | 123,880 | 35,820 |
| Interest income from related companies | 102,548 | 130,303 |
| Interest income from third party | 129,435 | 18,310 |
| Interest on fixed deposit | - | 1,047 |
| Forward liabilities written back (non-trade) | 3,483,434 | - |
| Other income | - | 204 |
| | 4,820,055 | 185,684 |

## 15. FINANCE COSTS

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Bank loan interest | 877,551 | 940,398 |
| | 877,551 | 940,398 |

## 16. PROFIT/ (LOSS) BEFORE INCOME TAX

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Loss before taxation has been arrived after charging: | | |
| Professional fees | 34,396 | 161,408 |
| Loan interest | 658,511 | 24,455 |
| Foreign exchange loss | 46,415 | 2,122 |
| Notional interest | 104,986 | - |
| Change in fair value of additional consideration | 1,174,465 | - |

There are no staff costs, directors' remuneration or key management personnel remuneration for the financial year ended 31 March 2019 and 31 March 2018.

## 17. INCOME TAX EXPENSE

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Current income tax | 10,249 | - |

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate to loss before income tax as a result of the following differences:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Profit/ (Loss) before income tax | 3,312,368 | (951,799) |
| Tax at the statutory tax rate at 17% (2018: 17%) | 566,123 | (161,806) |
| Tax effect on non-deductible expenses | 280,953 | 193,338 |
| Tax effect on non-taxable income | (819,409) | (31,532) |
| Statutory stepped income exemption | (13,661) | - |
| Utilisation of deferred tax assets not recognised in prior year | (1,195) | - |
| Corporate tax rebate | (2,562) | |
| | 10,249 | - |

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Company with related parties as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| **With holding company** | | |
| Loan interest charged by holding company | 652,816 | - |
| **With subsidiaries** | | |
| Expenses paid on behalf of a subsidiary | 404,819 | 412,594 |
| Interest income from loans to subsidiaries | 78,768 | 35,820 |
| Professional fee charged to a subsidiary | 878,091 | - |
| **With related companies** | | |
| Expenses paid on behalf of a related company | 22,869 | 3,226 |
| Interest income from loans to related companies | 147,660 | 130,303 |
| Professional fee charged to a related company | 582,706 | - |

There are no staff costs, directors' remuneration or key management personnel remuneration for the financial year ended 31 March 2019 and 31 March 2018.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

### a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables and loan to the immediate holding company. For other financial assets (including cash and cash equivalents), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

### a) Credit risk - continued

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- There is a disappearance of an active market for that financial asset because of financial difficulty;

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

### a) Credit risk - continued

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Company's current credit risk grading framework comprises the following categories:

| Category | Definition of category | Basis for recognising expected credit loss (ECL) |
|---|---|---|
| I | Counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| II | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| III | Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default). | Lifetime ECL – credit-impaired |
| IV | There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. | Amount is written off |

Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk
The Company has no significant concentration of credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

(b) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand- by credit facilities. The Company's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Company.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

(b) Liquidity risk - Continued

*Analysis of financial instruments by remaining contractual maturities*

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | 2019 | | | |
|---|---|---|---|---|
| | Carrying amount S$ | Contractual cash flows S$ | One year or less S$ | Two to five years S$ |
| **Financial assets** | | | | |
| Trade and other receivables (a) | 14,943,326 | 14,943,326 | 14,943,326 | - |
| Cash and cash equivalents | 628,352 | 628,352 | 628,352 | - |
| Total undiscounted financial assets | 15,571,678 | 15,571,678 | 15,571,678 | - |
| **Financial liabilities** | | | | |
| Trade and other payables (b) | 23,841,878 | 23,841,878 | 21,110,416 | 2,731,462 |
| Bank borrowings - secured | 14,047,405 | 15,084,103 | 6,240,711 | 8,843,392 |
| Total undiscounted financial liabilities | 37,889,283 | 38,925,981 | 27,351,127 | 11,574,854 |
| Total net undiscounted financial assets/ (liabilities) | (22,317,605) | (23,354,303) | (11,779,449) | (11,574,854) |

| | 2018 | | | |
|---|---|---|---|---|
| | Carrying amount S$ | Contractual cash flows S$ | One year or less S$ | Two to five years S$ |
| **Financial assets** | | | | |
| Trade and other receivables | 12,303,651 | 12,303,651 | 12,303,651 | - |
| Cash and cash equivalents | 2,102,134 | 2,102,134 | 2,102,134 | - |
| Total undiscounted financial assets | 14,405,785 | 14,405,785 | 14,405,785 | - |
| **Financial liabilities** | | | | |
| Trade and other payables | 25,666,556 | 25,666,556 | 1,762,651 | 23,903,905 |
| Bank borrowings - secured | 20,536,442 | 22,459,334 | 3,037,975 | 19,421,359 |
| Total undiscounted financial liabilities | 46,202,998 | 48,125,890 | 4,800,626 | 43,325,264 |
| Total net undiscounted financial assets/ ((liabilities) | (31,797,213) | (33,720,105) | 9,605,159 | (43,325,264) |

(a) This amount excludes prepayment.
(b) This amount excludes GST payable.

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their loan to holding company, cash and cash equivalents and bank borrowings.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

At the reporting date, if the interest rates had been 100 (2018: 100) basis points higher/ lower with all other variables held constant, the Company's loss before tax would have been S$137,460 (2018: S$76,156) higher/ lower, arising mainly as a result of higher/ lower interest income/ expenses on floating rate cash at bank and floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| *Fixed rate instruments* | | |
| **Financial assets** | | |
| Loan receivables from subsidiaries | 6,175,464 | 4,851,391 |
| Loan receivables from related parties | 4,886,351 | 4,127,722 |
| Loan receivables from third party | 2,718,143 | 2,588,708 |
| | 13,779,958 | 11,567,821 |

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

(i) Interest rate risk - continued

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| *Variable rate instruments* | | |
| **Financial liabilities** | | |
| **Within one year** | | |
| Loan payable to holding company | 20,652,846 | - |
| Bank loan | 5,618,692 | - |
| **Two to five years** | | |
| Bank loan | 8,428,713 | 20,536,442 |
| | 34,700,251 | 20,536,442 |

Interest on financial instruments subject to floating interest rates is repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Company that are not included in the above table are not subject to interest rate risk.

(ii) Foreign currency risk

The Company's foreign exchange risk results mainly from cash flows from transactions denominated foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Company, primarily United States Dollar (USD), Malaysia ringgit (RM), Sri Lanka rupee (LKR), Arab Emirates Dirhams (AED) and Vietnamese Dong (DONG).

The Company's currency exposures to the USD, RM and LKR at the reporting date were as follows:

| | | | 2019 | | |
|---|---|---|---|---|---|
| | USD<br>S$ | RM<br>S$ | LKR<br>S$ | AED<br>S$ | DONG<br>S$ |
| **Financial assets** | | | | | |
| Trade and other receivables | 3,547,841 | 2,227,818 | - | 256,008 | 22,869 |
| Cash and cash equivalents | 622,332 | - | 1,240 | - | - |
| | 4,170,173 | 2,227,818 | 1,240 | 256,008 | 22,869 |
| **Financial liabilities** | | | | | |
| Trade and other payables (b) | 298,218 | - | - | 72,353 | - |
| Bank borrowings | 14,047,405 | - | - | - | - |
| | 14,345,623 | - | - | 72,353 | - |
| Foreign currency exposure | (10,175,450) | 2,227,818 | 1,240 | 183,655 | 22,869 |

## 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

(ii) Foreign currency risk – Continued

| | | | 2018 | | |
|---|---|---|---|---|---|
| | USD | RM | LKR | AED | DONG |
| | S$ | S$ | S$ | S$ | S$ |
| **Financial assets** | | | | | |
| Trade and other receivables | 5,668,666 | 1,826,649 | - | 254,814 | 3,226 |
| Cash and cash equivalents | 200,083 | - | 1,240 | 17,428 | - |
| | 5,868,749 | 1,826,649 | 1,240 | 272,242 | 3,226 |
| **Financial liabilities** | | | | | |
| Trade and other payable (b) | 837,412 | - | - | 60,596 | - |
| Bank borrowings | 20,536,442 | - | - | - | - |
| | 21,373,854 | - | - | 60,596 | - |
| Foreign currency exposure | (15,505,105) | 1,826,649 | 1,240 | 211,646 | 3,226 |

A 10% strengthening of Singapore dollar against the foreign currencies denominated balances as at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit/ (Loss) after income tax | |
|---|---|---|
| | 2019 | 2018 |
| | S$ | S$ |
| **United States Dollar** | (844,562) | (1,286,924) |
| **Malaysia Ringgit** | 184,909 | 151,612 |
| **Sri Lanka Rupee** | 103 | 103 |
| **Arab Emirates Dirhams** | 15,243 | 17,567 |
| **Vietnamese Dong** | 1,898 | 268 |

A 10% weakening of Singapore Dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## 20. FAIR VALUES

*Fair value hierarchy*

The Company categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability

*Fair values*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

*Cash and cash equivalents, other receivables and other payables*

The carrying amounts of these balances approximate their fair value due to the short-term nature of their balances.

*Trade receivables and trade payables*

The carrying amounts of these receivables and payables (including trade balances due from/to holding and related companies) approximate their fair values as they are subject to normal trade credit terms.

*Bank borrowings*

The carrying amounts of bank borrowings approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

## 21. FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost were as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| **Loans and receivables** | | |
| Trade and other receivables (Note 8) (a) | 14,943,326 | 12,303,651 |
| Cash and cash equivalents (Note 9) | 628,352 | 2,102,134 |
| Total loans and receivables | 15,571,678 | 14,405,785 |
| **Financial liabilities measured at amortised cost** | | |
| Trade and other payables (Note 11) (a) | 23,841,878 | 25,666,556 |
| Bank borrowings (Note 12) | 14,047,405 | 20,536,442 |
| Total financial liabilities measured at amortised cost | 37,889,283 | 46,202,998 |

(a) This excludes the prepayment.
(b) This excludes the GST payables.

## 22. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Company comprises issued share capital and retained earnings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2019 and 31 March 2018.

The Company is not subject to any externally imposed capital requirements. The Company's overall strategy remains unchanged from 2018.

## 23. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 20 MAY 2019

# QUESS (PHILIPPINES) CORP.
*(A Wholly-owned Subsidiary of Quess Corp. Limited)*

**FINANCIAL STATEMENTS**
**MARCH 31, 2019 AND 2018**

BDO Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

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**INDEPENDENT AUDITORS' REPORT**

The Shareholders and the Board of Directors
Quess (Philippines) Corp.
*(A Wholly-owned Subsidiary of Quess Corp. Limited)*
6th Floor, Salustiana D. Ty Tower Condominium
104 Paseo de Roxas Street cor. Perea Street
Legaspi Village, Makati City

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Quess (Philippines) Corp. (the "Company"), which comprise the statements of financial position as at March 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**BDO** Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

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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 deficiencies in internal control that we identify during our audit.

**ROXAS CRUZ TAGLE AND CO.**

Warren M. Urriza

Warren M. Urriza
Partner
CPA Certificate No. 106419
Tax Identification No. 246-618-363
PTR No. 7378451, issued on January 24, 2019, Makati City
PRC/BOA Accreditation No. 0005 (Firm), issued on December 13, 2018, effective until July 20, 2021
SEC Accreditation No. 0007-FR-5 (Firm), Group A, issued on July 5, 2018, effective until July 4, 2021
BIR Accreditation No. 08-001682-017-2019, issued on February 8, 2019, effective until February 7, 2022

May 21, 2019
Makati City, Philippines

## QUESS (PHILIPPINES) CORP.
*(A Wholly-owned Subsidiary of Quess Corp. Limited)*

## STATEMENTS OF FINANCIAL POSITION
**MARCH 31, 2019 AND 2018**

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | *5* | **₱10,416,834** | ₱1,465,553 |
| Receivables | *6* | **116,334,499** | 87,049,113 |
| Due from related parties | *17* | **3,832,624** | 1,381,362 |
| Prepayments and other current assets | *7* | **5,860,737** | 1,465,585 |
| **Total Current Assets** | | **136,444,694** | 91,361,613 |
| **Noncurrent Assets** | | | |
| Investment in an associate | *8* | **250,000** | 250,000 |
| Property and equipment, net | *9* | **1,436,768** | 824,964 |
| Deferred tax assets | *16* | **-** | 1,217,936 |
| **Total Noncurrent Assets** | | **1,686,768** | 2,292,900 |
| | | **₱138,131,462** | ₱93,654,513 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Payables | *10* | **₱22,292,647** | ₱7,834,114 |
| Due to related parties | *17* | **84,806,805** | 60,921,822 |
| Income tax payable | *16* | **-** | 613,464 |
| **Total Current Liabilities** | | **107,099,452** | 69,369,400 |
| **Noncurrent Liability** | | | |
| Deferred tax liabilities | *16* | **485,606** | - |
| **Total Liabilities** | | **107,585,058** | 69,369,400 |
| **Equity** | | | |
| Share capital | *11* | **8,600,000** | 8,600,000 |
| Retained earnings | *19* | **21,946,404** | 15,685,113 |
| **Total Equity** | | **30,546,404** | 24,285,113 |
| | | **₱138,131,462** | ₱93,654,513 |

*See Notes to the Financial Statements.*

**QUESS (PHILIPPINES) CORP.**
*(A Wholly-owned Subsidiary of Quess Corp. Limited)*

## STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| **REVENUES** | *12* | **₱168,344,444** | ₱122,173,978 |
| **COST OF SERVICES** | *13* | **(122,724,060)** | (89,615,560) |
| **GROSS PROFIT** | | **45,620,384** | 32,558,418 |
| **OTHER OPERATING INCOME (EXPENSE), NET** | *14* | **460,280** | (7,925,092) |
| **INCOME FROM OPERATIONS** | | **46,080,664** | 24,633,326 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | *15* | **(36,925,155)** | (21,461,388) |
| **INCOME BEFORE TAX** | | **9,155,509** | 3,171,938 |
| **PROVISION FOR INCOME TAX** | *16* | **(2,894,218)** | (1,066,171) |
| **NET INCOME** | | **6,261,291** | 2,105,767 |
| **OTHER COMPREHENSIVE INCOME** | | **-** | - |
| **TOTAL COMPREHENSIVE INCOME** | | **₱6,261,291** | ₱2,105,767 |

*See Notes to the Financial Statements.*

**QUESS (PHILIPPINES) CORP.**
*(A Wholly-owned Subsidiary of Quess Corp. Limited)*

## STATEMENTS OF CHANGES IN EQUITY
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| **SHARE CAPITAL** | *11* | **₱8,600,000** | ₱8,600,000 |
| **RETAINED EARNINGS** | | | |
| Beginning of year | | **15,685,113** | 13,579,346 |
| Total comprehensive income | | **6,261,291** | 2,105,767 |
| End of year | | **21,946,404** | 15,685,113 |
| **TOTAL EQUITY** | | **₱30,546,404** | ₱24,285,113 |

*See Notes to the Financial Statements.*

## QUESS (PHILIPPINES) CORP.
*(A Wholly-owned Subsidiary of Quess Corp. Limited)*

## STATEMENTS OF CASH FLOWS
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | *Notes* | **2019** | 2018 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before tax | | **₱9,155,509** | ₱3,171,938 |
| Adjustments for: | | | |
| Depreciation | *9,15* | **584,856** | 317,820 |
| Provision for impairment losses | *6,15* | **466,959** | - |
| Interest income | *5,14* | **-** | (53) |
| Interest expense | *14* | **1,520,489** | 968,922 |
| Unrealized foreign exchange loss (gain) | *14* | **(2,085,646)** | 3,567,903 |
| Operating income before working capital changes | | **9,642,167** | 8,026,530 |
| Changes in working capital: | | | |
| Decrease (increase) in: | | | |
| Receivables | | **(29,752,345)** | (38,736,711) |
| Due from related parties | | **(2,451,262)** | 32,559 |
| Prepayments and other current assets | | **(2,034,442)** | (522,095) |
| Increase in: | | | |
| Payables | | **14,458,533** | 819,377 |
| Due to related parties | | **25,885,643** | 30,823,197 |
| Cash generated from operations | | **15,748,294** | 442,857 |
| Interest received | *5,14* | **-** | 53 |
| Interest paid | *14* | **(1,520,489)** | (968,922) |
| Income taxes paid | *16* | **(4,164,850)** | (1,999,062) |
| Net cash provided by (used in) operating activities | | **10,062,955** | (2,525,074) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | |
| Acquisition of property and equipment | *9* | **(1,196,660)** | (636,283) |
| Acquisition of investment in an associate | *8* | **-** | (250,000) |
| Net cash used in investing activities | | **(1,196,660)** | (886,283) |
| **EFFECT OF FOREIGN EXCHANGE RATES CHANGES ON CASH** | *5* | **84,986** | - |
| **NET INCREASE (DECREASE) IN CASH** | | **8,951,281** | (3,411,357) |
| **CASH AT BEGINNING OF YEAR** | | **1,465,553** | 4,876,910 |
| **CASH AT END OF YEAR** | *5* | **₱10,416,834** | ₱1,465,553 |

*See Notes to the Financial Statements.*

# NOTES TO THE FINANCIAL STATEMENTS
**AS AT AND FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

## 1. Reporting Entity

Quess (Philippines) Corp. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 13, 2013.

Its principal activities are to carry on or undertake activities relating to computer software, namely: system study and software feasibility analysis, including analysis of existing systems, business analysis, project definition, conceptual design and prototyping and designing; development and implementation of customized software, including collection and analysis of client requirements, development and implementation of the system to the client's satisfaction and design; and set up and administration of database, including understanding client data procedures, designing of tables using structured methodology like entity-relationship diagram, installation, performance tuning and database administration.

The Company is wholly-owned subsidiary of Quess Corp. Limited (the "Parent Company"), an entity incorporated under the laws of India. The Parent Company is engaged in providing business support services, global technology solutions, integrated facility management and industrials.

The financial statements were approved and authorized for issuance in accordance with a resolution by the Board of Directors (BOD) on May 21, 2019. The Company's Treasurer, Vijay Sivaram, was authorized by the BOD to sign for and behalf of the BOD, to approve and cause the issuance of audited financial statements.

## 2. Basis of Preparation

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Adoption
The Company qualifies as a small and medium-sized entity (SME) based on the criteria set by the SEC for mandatory adoption of PFRS for SME. However, the Company, being part of a group that is reporting under full International Financial Reporting Standards, has availed of the exemption for mandatory adoption.

Basis of Measurement
The financial statements of the Company have been prepared on the historical cost basis.

Functional and Presentation Currency
The financial statements are presented in Philippine Peso (₱), which is the functional currency of the Company.

## 3. Significant Accounting Policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS for which the Company adopted effective April 1, 2018 for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

  Based on the Company’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at March 31, 2019, the Company has concluded that all of its financial assets and liabilities shall be classified under the new classification categories of PFRS 9.

  The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Company’s financial assets as at April 1, 2018:

| | Classification under PAS 39 | Classification under PFRS 9 | Carrying Amount under PAS 39 | Carrying Amount under PFRS 9 |
|---|---|---|---|---|
| Cash in banks | Loans and receivables | Financial assets at amortized cost | ₱1,465,553 | ₱1,465,553 |
| Receivables | Loans and receivables | Financial assets at amortized cost | 86,349,204 | 86,349,204 |
| Due from related parties | Loans and receivables | Financial assets at amortized cost | 1,381,362 | 1,381,362 |
| Rental deposit | Loans and receivables | Financial assets at amortized cost | 322,572 | 322,572 |
| Payables (excluding government liabilities | Other financial liabilities | Financial liabilities at amortized cost | 5,191,155 | 5,191,155 |
| Due to related parties | Other financial liabilities | Financial liabilities at amortized cost | 60,921,822 | 60,921,822 |

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach, has no significant impact on the carrying amounts of the Company's financial assets carried at amortized cost.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue,* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

  Based on the Company's assessment, all of the Company's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly the rendering of services. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Company recognizes revenue as the services are rendered over time. Accordingly, the adoption of PFRS 15 has no significant impact in the timing of the Company's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

<u>New and Amended PFRS Issued But Not Yet Effective</u>
Relevant new and amended PFRS which are not yet effective for the year ended March 31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Company's operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company complete the review.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company, except PFRS 16.

<u>Current versus Noncurrent Classification</u>

The Company presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Assets and Financial Liabilities

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

*Financial Assets and Liabilities at FVPL.* Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

The Company does not have financial assets and liabilities at FVPL.

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash, receivables, due from related parties and rental deposit are included under this category (see Notes 5, 6, 17 and 7).

*Financial Assets at FVOCI.* For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Company does not have financial assets and liabilities at FVOCI.

*Financial Liabilities at Amortized Cost*. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Company's liabilities arising from its payables, excluding statutory liabilities, and due to related parties are included under this category (see Notes 10 and 17).

**Reclassification**
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

**Impairment of Financial Assets at Amortized Cost**
The Company records an allowance for ECL that is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

**Derecognition of Financial Assets and Liabilities**
*Financial Assets.* A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

**Offsetting of Financial Assets and Liabilities**
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Prepayments and Other Current Assets
Prepayment represents expenses not yet incurred but already paid in cash. These are subsequently charged against profit or loss as these are consumed in operations or expire within the passage of time.

Prepayments and other current assets are recognized when the Company expects to receive future economic benefit from those and the amount can be measured reliably.

Rental deposit represents payment made in relation to the lease entered into by the Company. This is carried at cost and will be returned to the Company only upon the expiration of the lease contract. It is recognized as noncurrent assets when the Company expects to receive future economic benefit from them for more than one year, otherwise these are recognized under current assets. Rental deposit is classified under financial asset at amortized cost.

Investment in Associate
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under PAS 28, Investment in Associates and Joint Ventures, an entity need not use the equity method if all of the following four conditions are met:

i. The investor is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the investor not applying the equity method;
ii. The investor’s debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
iii. The investor did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization, for the purpose of issuing any class of instruments in a public market; and
iv. The ultimate or any intermediate parent of the investor produces consolidated financial statements available for public use that comply with IFRS.

The above mentioned criteria were all met by the Company in its acquisition of investment in associate, hence the exemption was applied.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

| | Number of Years |
|---|---|
| Furniture and fixtures | 3 |
| Office equipment | 4 |
| Computer equipment | 4 |

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of comprehensive income in the period of retirement and disposal.

Impairment of Nonfinancial Assets

The carrying amounts of property and equipment and investment in associate are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Fair Value Measurements</u>
The Company measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: 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 for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

<u>Provisions</u>
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Share Capital

Share capital are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

*Finance income*

Finance income is recognized when accrued. The interest rate applied is the prevailing market rate at the end of the reporting period taking into account the effective yield on the asset or the effective interest rate.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Taxes

*Current Tax*. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

*Deferred Tax*. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added Tax (VAT).* Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Payables" accounts in the statements of financial position.

Deferred input VAT pertains to purchase of services which are still unpaid and purchases of goods wherein the invoice has not yet been received at year-end.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Foreign Currency Translations
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as an effective hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## 4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Company has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the financial statements:

*Operating Lease Commitments - Company as Lessee.* The Company has entered into lease agreements as a lessee. The Company has determined that the lessor retains all the significant risks and rewards of ownership of the property leased on operating leases.

Rent expense recognized in the statements of comprehensive income amounted to ₱1,387,991 in 2019 and ₱1,243,907 in 2018 (see Note 15 and 18).

*Evaluating Deferred Tax.* In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

*Determining Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

*Classifying Financial Instruments.* The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

*Allowance for Impairment Losses on Receivables.* The Company follows the simplified approach in estimating the level of impairment loss on trade receivables, as adopted by the Parent Company. The Company uses a provision matrix to determine impairment loss on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward - looking estimates. it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

The allowance for impairment losses on receivables amounted to ₱466,959 and nil as at March 31, 2019 and 2018, respectively (see Note 6).

The carrying amounts of receivables amounted to ₱116,334,499 and ₱87,049,113 as at March 31, 2019 and 2018, respectively (see Note 6).

*Estimated Useful Lives of Property and Equipment.* The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recorded costs and expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment for the years ended March 31, 2019 and 2018 (see Note 3).

*Impairment of Non-Financial Assets.* PFRS requires that an impairment review be performed on nonfinancial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The carrying amount of investment in associate amounted to ₱250,000 as at March 31, 2019 and 2018. Based on Management's evaluation, there were no indicators of impairment (see Note 8).

Management assessed that its property and equipment with carrying amount of ₱1,436,768 and ₱824,964 as at March 31, 2019 and 2018 is not impaired (see Note 9).

*Recoverability of Deferred Tax Assets.* The Company reviews its deferred tax assets at each financial reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax asset amounted to ₱140,088 and ₱1,217,936 as at March 31, 2019 and 2018, respectively (see Note 16).

## 5. Cash

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Cash in banks | **₱10,406,834** | ₱1,455,553 |
| Petty cash fund | **10,000** | 10,000 |
| | **₱10,416,834** | ₱1,465,553 |

Cash in banks consists of savings and current deposit accounts with interest income amounting to to nil in 2019 and ₱53 in 2018 (see Note 14).

Foreign exchange gain on translation of foreign currency-denominated deposits in bank amounted to ₱84,986 in 2019 and nil in 2018 (see Note 14).

## 6. Receivables

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Trade | **₱116,140,876** | ₱86,349,204 |
| Advances to officers and employees | **660,582** | 699,909 |
| Receivables, gross | **116,801,458** | 87,049,113 |
| Allowance for impairment losses | **(466,959)** | - |
| Receivables, net | **₱116,334,499** | ₱87,049,113 |

Trade receivables represent uncollected service revenue which are unsecured, non-interest bearing and usually due within 30 to 60 days from invoice date. There were no trade receivables pledged as collateral for liabilities of the Company.

Cash advances made to officers and employees is for working capital expenditures, non-interest bearing and are subject to liquidation upon utilization.

The Company has directly written-off trade receivables amounting to ₱100,000 in 2019 and nil in 2018 (see Note 15).

Provision for impairment losses amounted to ₱466,959 in 2019 and nil in 2018 (see Note 15).

## 7. Prepayments and Other Current Assets

The account consists of:

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| Prepaid expenses | | **₱2,644,265** | ₱777,485 |
| Prepaid income tax | *16* | **2,360,710** | - |
| Rental deposit | *18* | **413,293** | 322,572 |
| Deferred input VAT | | **312,146** | 95,024 |
| Input VAT | | **130,323** | 270,504 |
| | | **₱5,860,737** | ₱1,465,585 |

Prepaid expenses include services paid for advertisements, payroll software and health insurance plan of employees, which are normally amortized within one year.

Prepaid income tax pertains to excess of income tax credits and payments made over income tax due during the year, which are expected to be used within the next taxable period.

Rental deposit pertains to the non-interest bearing rental deposit paid to the lessor, which will be refunded at the end of the lease contract.

Deferred input VAT arises from accrual of professional fees.

Input VAT refers to the tax passed on to the Company by its suppliers, for acquisition of goods and services, which may be applied against its output VAT.

## 8. Investment in Associate

In December 2017, the Company subscribed to 10,000 shares with par value of ₱100 each, or equivalent to 25% of the common capital stock of Quess Recruit, Inc., where the Company paid ₱250,000 in cash.

The Company accounted for the investment in an associate using the cost method in compliance with the requirements set forth in Note 3.

A summary of financial information of Quess Recruit, Inc. is as follows:

| | **2019** | 2018 |
|---|---|---|
| Total assets | **₱5,629,066** | ₱2,416,349 |
| Total liabilities | **1,285,247** | 1,658,011 |
| Total equity | **4,343,819** | 758,338 |
| Total revenue | **6,867,961** | 1,507,918 |
| Net income | **3,585,481** | 25,291 |
| Total comprehensive income | **3,585,481** | 25,291 |

Based on Management's evaluation of the carrying amount of the Company's investment in associate, there were no indications of impairment.

## 9. Property and Equipment, Net

This details and movements of this account follow:

| | *Note* | Furniture and Fixtures | Office Equipment | Computer Equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At April 1, 2017 | | ₱290,665 | ₱48,149 | ₱639,462 | ₱978,276 |
| Additions | | 220,191 | 13,728 | 402,364 | 636,283 |
| At March 31, 2018 | | 510,856 | 61,877 | 1,041,826 | 1,614,559 |
| Additions | | 389,986 | 83,959 | 722,715 | 1,196,660 |
| At March 31, 2019 | | 900,842 | 145,836 | 1,764,541 | 2,811,219 |
| **Accumulated depreciation** | | | | | |
| At April 1, 2017 | | 140,746 | 7,083 | 323,946 | 471,775 |
| Depreciation | *15* | 134,794 | 12,351 | 170,675 | 317,820 |
| At March 31, 2018 | | 275,540 | 19,434 | 494,621 | 789,595 |
| Depreciation | *15* | 238,018 | 25,516 | 321,322 | 584,856 |
| At March 31, 2019 | | 513,558 | 44,950 | 815,943 | 1,374,451 |
| **Net book value** | | | | | |
| **At March 31, 2019** | | **₱387,284** | **₱100,886** | **₱948,598** | **₱1,436,768** |
| At March 31, 2018 | | ₱235,316 | ₱42,443 | ₱547,205 | ₱824,964 |

There are no restrictions on title, contractual commitments or property and equipment pledged as security for liabilities as at March 31, 2019 and 2018, respectively.

Management sees no condition of impairment and believes that the net carrying amount of property and equipment can be recovered through use in operations.

## 10. Payables

The account consists of:

| | **2019** | 2018 |
|---|---|---|
| Trade payables | **₱10,234,328** | ₱1,112,236 |
| Accrued expenses | **9,450,104** | 4,078,919 |
| Government liabilities | **2,608,215** | 2,642,959 |
| | **₱22,292,647** | ₱7,834,114 |

Trade payables pertain to outstanding obligations to suppliers, which are normally payable within 30 days from billing.

Accrued expenses, which are normally settled within 30 days, includes utilities, payroll and other expenses incurred by the Company that are not yet paid during the financial period.

Government liabilities pertain to VAT and SSS, PHIC and HDMF premium contributions to be remitted on the respective government agencies the following month.

## 11. Share Capital

This account consists of:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | Number of Shares | Amount |
| Authorized share capital at ₱100 par value per share | **344,000** | **₱34,400,000** | 344,000 | ₱34,400,000 |
| Issued and outstanding share capital at ₱100 par value per share | **86,000** | **₱8,600,000** | 86,000 | ₱8,600,000 |

## 12. Revenues

The Company's revenue from rendering IT consultancy and services amounted to ₱168,344,444 and ₱122,173,978 for the years ended March 31, 2019 and 2018, respectively.

## 13. Cost of Services

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Salaries and wages | **₱89,201,185** | ₱75,892,032 |
| Other employee benefits | **15,401,125** | 6,268,724 |
| 13th month pay | **9,651,941** | 3,113,122 |
| Transportation and travel | **4,770,173** | 2,025,600 |
| SSS/PHIC and HDMF contributions | **3,699,636** | 2,316,082 |
| | **₱122,724,060** | ₱89,615,560 |

## 14. Other Operating Income (Expense), Net

The details of the account are as follows:

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| Interest expense | *17* | **₱1,520,489** | ₱968,922 |
| Realized foreign exchange loss | | **104,877** | 3,388,320 |
| Interest income | *5* | **-** | (53) |
| Unrealized foreign exchange loss (gain) | | **(2,085,646)** | 3,567,903 |
| | | **(₱460,280)** | ₱7,925,092 |

Realized foreign exchange loss arose mainly from translation of foreign currency-denominated revenue and purchase transactions made by the Company, as well as related party advances.

Unrealized foreign exchange loss (gain) arose mainly from translation of outstanding foreign currency-denominated related party loans.

## 15. General and Administrative Expenses

The details of the account are as follows:

| | *Note* | **2019** | 2018 |
|---|---|---|---|
| Salaries and wages | | **₱12,899,196** | ₱10,038,992 |
| Professional fees | | **10,654,243** | 1,137,728 |
| 13th month pay and other employee benefits | | **3,077,345** | 1,947,910 |
| Rent | *18* | **1,387,991** | 1,243,907 |
| Communication, light and water | | **1,378,985** | 1,003,492 |
| Taxes and licenses | | **1,162,529** | 667,881 |
| Advertising | | **1,038,423** | 475,752 |
| Transportation and travel | | **868,067** | 1,159,276 |
| Software and log in fees | | **753,271** | 994,236 |
| SSS, PHIC and HDMF contributions | | **637,015** | 454,353 |
| Depreciation | *9* | **584,856** | 317,820 |
| Recruitment | | **524,847** | 385,950 |
| Provision for impairment losses | *6* | **466,959** | - |
| Training and allowances | | **299,514** | 103,663 |
| Supplies | | **136,746** | 170,844 |
| Association dues and membership fees | | **120,129** | 146,815 |
| Loss on write-off of receivables | *6* | **100,000** | - |
| Bank charges | | **68,542** | 122,163 |
| Insurance | | **61,212** | - |
| Representation | | **16,875** | 26,517 |
| Repairs and maintenance | | **-** | 43,068 |
| Penalties | | **-** | 396,090 |
| Others | | **688,410** | 624,931 |
| | | **₱36,925,155** | ₱21,461,388 |

Other expenses include Department of Labor and Employment (DOLE) registration fees and derecognized deferred tax assets amounting to ₱147,565 in 2019 and nil in 2018.

## 16. Income Taxes

(a) The components of the Company's provision for income tax are as follow:

| | **2019** | 2018 |
|---|---|---|
| Current | **₱1,190,676** | ₱2,136,542 |
| Deferred | **1,703,542** | (1,070,371) |
| | **₱2,894,218** | ₱1,066,171 |

(b) The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in the profit or loss are as follow:

| | 2019 | 2018 |
|---|---|---|
| Income before tax | **₱9,155,509** | ₱3,171,938 |
| Income at statutory rate of 30% | **₱2,746,653** | ₱951,581 |
| Write-off of deferred taxes | **147,565** | - |
| Adjustments for: | | |
| Non-deductible expenses | **-** | 114,606 |
| Non-taxable interest income | **-** | (16) |
| | **₱2,894,218** | ₱1,066,171 |

(c) The components of net deferred tax asset (liability) as at March 31 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Allowance for impairment | **₱140,088** | ₱80,949 |
| Unrealized foreign exchange loss (gain) | **(625,694)** | 1,136,987 |
| | **(₱485,606)** | ₱1,217,936 |

(d) The movements in net deferred tax asset (liability) during the year are as follows:

| | 2019 | 2018 |
|---|---|---|
| Beginning of year | **₱1,217,936** | ₱80,949 |
| Charged to profit or loss | **(1,703,542)** | 1,136,987 |
| Charged to OCI | **-** | - |
| End of year | **(₱485,606)** | ₱1,217,936 |

(e) The movements in income tax payable (prepaid income tax) are as follows:

| | 2019 | 2018 |
|---|---|---|
| Balance at January 1 | **₱613,464** | ₱475,984 |
| Charged to profit or loss | **1,190,676** | 2,136,542 |
| Income tax paid | **(4,164,850)** | (1,999,062) |
| | **(₱2,360,710)** | ₱613,464 |

## 17. Related Party Disclosures

Transactions with related parties consist of services rendered to and advances for various working capital requirements. Those transactions and balances are unsecured, unguaranteed, and expected to be settled through cash payment on demand.

| | Nature | Year | Transactions during the year | Outstanding balance |
|---|---|---|---|---|
| ***Due from related parties*** | | | | |
| Associate | Advances | **2019** | **(₱1,381,362)** | **₱-** |
| | | 2018 | (32,559) | 1,381,362 |
| Entity under | Advances | **2019** | **3,832,624** | **3,832,624** |
| common control | | 2018 | - | - |
| | | **2019** | **₱2,451,262** | **₱3,832,624** |
| | | 2018 | (32,559) | 1,381,362 |
| ***Due to related parties*** | | | | |
| Entities under | Advances | **2019** | **₱23,884,983** | **₱84,806,805** |
| common control | | 2018 | 34,391,100 | 60,921,822 |

The advances from related parties bear annual interest rate of 0.8%. Interest expense on due to related parties amounted to ₱1,520,849 in 2019 and ₱968,922 in 2018 (see Note 14).

The compensation of key management personnel amounted to ₱4,223,239 in 2019 and ₱4,041,581 in 2018.

## 18. Commitments and Contingencies

*Operating lease commitment – Company as lessee*

The Company leases its office space with a term of one (1) year and is renewable thereafter under the same terms and conditions upon agreement. Rental expense incurred by the Company amounted to ₱1,387,991 and ₱1,243,907, respectively (see Note 15).

Rental deposits amounting to ₱413,293 and ₱322,572 as at March 31, 2019 and 2018, respectively are refundable at the end of the lease term (see Note 7).

*Contingencies*
There are no significant material contingencies in relation to any legal action of claims involving the Company as at and for the fiscal years ended March 31, 2019 and 2018.

## 19. Events After the Reporting Date

*Appropriation of retained earnings*
In a meeting held on April 26, 2019, the BOD resolved to appropriate the amount of ₱15,000,000 out of retained earnings to fund its planned business expansion for the year 2019.

## 20. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Company has significant exposure to the following financial risks primarily from its use of financial instruments:

- Foreign Currency Risk
- Credit Risk
- Liquidity Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Company include cash and rental deposit. These financial instruments are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Company such as receivables, due from related parties and payables, excluding statutory liabilities, arise directly from and are used to facilitate its daily operations.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Company. The risk management policies of the Company are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Foreign Currency Risk
The functional currency is the Philippine peso, which is the denomination of the bulk of the Company's transactions. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Company. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

The Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as at March 31 are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Foreign Currency** | **Peso Equivalent** | Foreign Currency | Peso Equivalent |
| Cash | **4,082** | **241,322** | - | - |
| Due to related parties | **2,686,539** | **84,213,444** | 1,497,560 | 60,921,822 |
| | **2,690,621** | **84,454,766** | 1,497,560 | 60,921,822 |

The Company reported net foreign exchange gains (losses) amounting to ₱1,980,769 in 2019 and (₱6,956,223) in 2018, as a result of foreign currency translation of its monetary asset and liability, included under "Other operating income (expense) - net" account in the statements of comprehensive income (see Note 14).

The foreign exchange rates as at March 31, 2019 and 2018 are as follows:

| | **2019** | 2018 |
|---|---|---|
| 1 US Dollar (USD) | **₱52.50** | ₱52.16 |
| 1 Singaporean Dollar (SGD) | **38.71** | 40.12 |
| 1 Malaysian Ringgit (MYR) | **12.85** | 13.58 |

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Company's financial instruments to various foreign currency exchange rate scenarios.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Company's income before tax (due to changes in the fair value of monetary assets and monetary liabilities) and equity (due to translation of results and financial position of foreign operations) as at March 31, 2019 and 2018.

| | **2019** | | | |
|---|---|---|---|---|
| | **1% Decrease in Foreign Currency Exchange Rate** | | **1% Increase in Foreign Currency Exchange Rate** | |
| | **Effect on Income before Income Tax** | **Effect on Equity (Net of Tax)** | **Effect on Income before Income Tax** | **Effect on Equity (Net of Tax)** |
| Cash | **(₱4,082)** | **₱-** | **₱4,082** | **₱-** |
| Due to related parties | **842,134** | **-** | **(842,134)** | **-** |
| | **838,052** | **₱-** | **(₱838,052)** | **₱-** |

| | 2018 | | | |
|---|---|---|---|---|
| | 1% Decrease in Foreign Currency Exchange Rate | | 1% Increase in Foreign Currency Exchange Rate | |
| | Effect on Income before Income Tax | Effect on Equity (Net of Tax) | Effect on Income before Income Tax | Effect on Equity (Net of Tax) |
| Cash | ₱- | ₱- | ₱- | ₱- |
| Due to related parties | 232,199 | - | (232,199) | - |
| | ₱232,199 | ₱- | (₱232,199) | ₱- |

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's foreign currency risk.

Credit Risk

The Company's maximum exposure to credit risk before collateral held or other credit enhancements as at March 31 follows (gross of allowance for impairment):

| | **2019** | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Maximum Exposure to Credit Risk** | **Fair Value of Collateral** | **Financial Effect of Collateral or Credit Enhancement** | **Net Exposure** | Maximum Exposure to Credit Risk | Fair Value of Collateral | Financial Effect of Collateral or Credit Enhancement | Net Exposure |
| Trade receivables | **₱116,140,876** | **₱-** | **₱-** | **₱116,140,876** | ₱86,349,204 | ₱- | ₱- | ₱86,349,204 |
| Due from related parties | **3,832,624** | **-** | **-** | **3,832,624** | 1,381,362 | - | - | 1,381,362 |
| Rental deposit | **413,293** | **-** | **-** | **413,293** | 322,572 | - | - | 322,572 |
| | **₱120,386,793** | **₱-** | **₱-** | **₱120,386,793** | ₱88,053,138 | ₱- | ₱- | ₱88,053,138 |

Credit risk from deposit in banks is managed by ensuring that those are with reputable and financially sound counterparties. The credit risk for cash in banks is considered negligible.

Due from related parties are unsecured but are made in the normal course of business and the counterparties have no history or expectation of default.

Rental deposits are fully recoverable at the end of lease term.

The aging analyses as at March 31 of financial assets are as follows (gross of allowance for impairment):

| | | | | | **2019** | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | **Past Due But Not Impaired** | | | |
| | ***Note*** | **Total** | **Neither Impaired Nor Past Due** | **Past Due And Impaired** | **Within 30 Days** | **31 to 60 Days** | **61 to 90 Days** | **More Than 91 Days** |
| Cash in banks | ***5*** | **₱10,406,834** | **₱10,406,834** | **₱-** | **₱-** | **₱-** | **₱-** | **₱-** |
| Trade receivables | ***6*** | **116,140,876** | **66,529,876** | **-** | **2,389,108** | **606,624** | **5,514,035** | **41,101,233** |
| Due from related parties | ***17*** | **3,832,624** | **3,832,624** | **-** | **-** | **-** | **-** | **-** |
| Rental deposit | ***7,18*** | **413,293** | **413,293** | **-** | **-** | **-** | **-** | **-** |
| | | **₱130,793,627** | **₱81,182,627** | **₱-** | **₱2,389,108** | **₱606,624** | **₱5,514,035** | **₱41,101,233** |

| | | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Past Due But Not Impaired | | | |
| | *Note* | Total | Neither Impaired Nor Past Due | Past Due And Impaired | Within 30 Days | 31 to 60 Days | 61 to 90 Days | More Than 91 Days |
| Cash in banks | *5* | ₱1,455,553 | ₱1,455,553 | ₱- | ₱- | ₱- | ₱- | ₱- |
| Trade receivables | *6* | 86,349,204 | 57,331,842 | - | 8,410,721 | 910,537 | 1,048,245 | 18,647,859 |
| Due from related parties | *17* | 1,381,362 | 1,381,362 | - | - | - | - | - |
| Rental deposit | *7,18* | 322,572 | 322,572 | - | - | - | - | - |
| | | ₱89,508,691 | ₱60,491,329 | ₱- | ₱8,410,721 | ₱910,537 | ₱1,048,245 | ₱18,647,859 |

*Credit quality per class of financial assets*

The Company's bases in grading its financial assets are as follow:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard grade – These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard grade - These are receivables that can be collected provided the Company makes persistent effort to collect them.

The tables below show the credit quality by class of financial assets as at March 31:

| | **2019** | | | | | |
|---|---|---|---|---|---|---|
| | **Neither Impaired Nor Past Due** | | | | | |
| | **High Grade** | **Standard Grade** | **Substandard Grade** | **Past Due But Not Impaired** | **Impaired** | **Total** |
| Cash in banks | **₱10,406,834** | **₱-** | **₱-** | **₱-** | **₱-** | **₱10,406,834** |
| Trade receivables | **-** | **66,529,876** | **-** | **49,611,000** | **-** | **116,140,876** |
| Due from related parties | **-** | **3,832,624** | **-** | **-** | **-** | **3,832,624** |
| Rental deposit | **-** | **413,293** | **-** | **-** | **-** | **413,293** |
| | **₱10,406,834** | **₱70,775,793** | **₱** | **₱49,611,000** | **₱** | **₱130,793,627** |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Neither Impaired Nor Past Due | | | | | |
| | High Grade | Standard Grade | Substandard Grade | Past Due But Not Impaired | Impaired | Total |
| Cash in banks | ₱1,455,553 | ₱- | ₱- | ₱- | ₱- | ₱1,455,553 |
| Trade receivables | - | 57,331,842 | - | 29,017,362 | - | 86,349,204 |
| Due from related parties | - | 1,381,362 | - | - | - | 1,381,362 |
| Rental deposit | - | 322,572 | - | - | - | 322,572 |
| | ₱1,455,553 | ₱59,035,776 | ₱- | ₱29,017,362 | ₱- | ₱89,508,691 |

<u>Liquidity Risk</u>

Liquidity risk is the risk from an entity's inability to meet obligations when they become due because of its inability to liquidate assets or obtain adequate funding. The Company ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements.

The Company's liquidity and cash positions are monitored on a daily basis. The Company maintains sufficient liquidity reserves in the form of high-yielding deposits with banks. The Company has also obtained sufficient liquidity lines from other banks and non-bank lending institutions that can relieve financial pressures in the event of an extraordinary demand for liquidity.

The following tables summarize the maturity profile of financial instruments that is used by the Company to manage its liquidity risk based on contractual undiscounted cash flows (including interest):

| | **2019** | | | |
|---|---|---|---|---|
| | **Total** | **On Demand** | **Within 1 Year** | **Beyond 1 Year** |
| *Financial assets* | | | | |
| Cash in banks | **₱10,406,834** | **₱10,406,834** | **₱-** | **₱-** |
| Trade and other receivables* | **116,140,876** | **49,611,000** | **66,529,876** | **-** |
| Due from related parties | **3,832,624** | **3,832,624** | **-** | **-** |
| Rental deposit | **413,293** | **-** | **413,293** | **-** |
| | **130,793,627** | **63,850,458** | **66,943,169** | **-** |
| *Financial liabilities* | | | | |
| Payables** | **19,684,432** | **19,684,432** | **-** | **-** |
| Due to related parties | **84,806,805** | **84,806,805** | **-** | **-** |
| | **104,491,237** | **104,491,237** | **-** | - |
| | **₱26,302,390** | **(₱40,640,779)** | **₱66,943,169** | **₱-** |

| | 2018 | | | |
|---|---|---|---|---|
| | Total | On Demand | Within 1 Year | Beyond 1 Year |
| *Financial assets* | | | | |
| Cash in banks | ₱1,465,553 | ₱1,465,553 | ₱- | ₱- |
| Trade and other receivables* | 86,349,204 | 28,317,453 | 58,031,751 | - |
| Due from related parties | 1,381,362 | 1,381,362 | - | - |
| Rental deposit | 322,572 | - | 322,572 | - |
| | 89,518,691 | 31,164,368 | 58,354,323 | - |
| *Financial liabilities* | | | | |
| Payables** | 5,191,155 | 5,191,155 | - | - |
| Due to related parties | 60,921,822 | 60,921,822 | - | - |
| | 66,112,977 | 66,112,977 | - | - |
| | ₱23,405,714 | (₱34,948,609) | ₱58,354,323 | ₱- |

**Excluding advances to officers and employees*
***Excluding government liabilities*

Capital Risk Management

The capital of the Company comprises of funds invested by the Parent and local shareholders.

The Company's BOD has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company through the Finance function sets operational targets and performance indicators in order to assure that the capital and returns requirements are achieved. Appropriate monitoring and reporting systems accompany these targets and indicators to assess the achievement of Company goals and institute appropriate action.

There were no changes in the Company's approach to capital management during the year.

## 21. Financial Assets and Financial Liabilities

The following table summarizes the carrying values of the Company's financial assets and financial liabilities at March 31:

| | 2019 | 2018 |
|---|---|---|
| ***Financial assets at amortized cost*** | | |
| Cash | **₱10,416,834** | ₱1,465,553 |
| Receivables* | **115,673,917** | 86,349,204 |
| Due from related parties | **3,832,624** | 1,381,362 |
| Rental deposit | **413,293** | 322,572 |
| | **₱130,336,668** | ₱89,518,691 |
| ***Financial liabilities at amortized cost*** | | |
| Payables** | **₱19,684,432** | ₱5,191,155 |
| Due to related parties | **84,806,805** | 60,921,822 |
| | **₱104,491,237** | ₱66,112,977 |

**Excluding advances to officers and employees*
***Excluding government liabilities*

The carrying amounts of cash in banks, receivables, rental deposit, payables, and related party balances approximate their fair values due to the relatively short-term maturities of the financial instruments.

**QUESS (PHILIPPINES) CORP.**
*(A Wholly-Owned Subsidiary of Quess Corp. Limited)*

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As at March 31, 2019

| | | |
|---|---|---|
| **UNAPPROPRIATED RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION, BEGINNING** | | **₱18,035,080** |
| **ADD: NET INCOME ACTUALLY EARNED DURING THE PERIOD** | | |
| Net income during the year closed to Retained Earnings | **₱6,261,291** | |
| Add: Provision for deferred tax expense | **1,703,542** | |
| Less: Unrealized foreign exchange loss in 2018 realized in 2019 | **(3,567,903)** | |
| Unrealized foreign exchange gain in 2019 | **(2,085,646)** | **2,311,284** |
| **RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION** | | **₱20,346,364** |

| | |
|---|---|
| **RETAINED EARNINGS AS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION** | **₱21,946,404** |
| **ADD: DEFERRED TAX LIABILITY** | **485,606** |
| **LESS: UNREALIZED FOREIGN EXCHANGE GAIN** | **(2,085,646)** |
| **RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION** | **₱20,346,364** |

*Financial Statements*
*(In Accordance with Group Accounting Policies)*

# QUESS CORP (USA), INC.

## For The Years Ended March 31, 2019 and 2018

**QUESS CORP (USA), INC.**

**Index to Financial Statements**

LIGGETT
&WEBB P.A.
CERTIFIED PUBLIC ACCOUNTANTS

432 Park Avenue South, 10th Floor
New York, NY 10016 / (212) 481-3490

1901 South Congress Avenue, Suite 110
Boynton Beach, FL 33426 / (561) 752-1721

**Independent Auditor's Report on Special Purpose Financial Information Prepared for Consolidation Purposes**

**Deloitte Haskins & Sells LLP**

As requested in your instructions Quess Corp Limited Audit for the year ended March 31, 2019 Referral Instructions for our audit of Quess Corp. (USA), Inc. we have audited, for purposes of your audit of the consolidated financial statements of Quess Corp Limited (the "Group"), the financial statements of Quess Corp (USA), Inc. ("the Company") as of March 31, 2019 and 2018 and for the years then ended. This special purpose financial information has been prepared solely to enable Quess Corp Limited to prepare its consolidated financial statements.

**Management's Responsibility for the Special Purpose Financial Information**

Management is responsible for this special purpose financial information in accordance with the instructions issued by Quess Corp Limited's management and as per the accounting policies of Quess Corp Limited, and for such internal control as management determines is necessary to enable the preparation of special purpose financial information that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this special purpose financial information based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. As requested, our audit procedures also included the additional procedures identified in your instructions. Auditing standards generally accepted in the United States of America require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the special purpose financial information is free from material misstatement. As requested by you, we planned and performed our audits using the materiality level specified in your instructions, which is different than the materiality level that we would have used had we been designing the audits to express an opinion on the special purpose financial information of the component alone.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The conclusions reached in forming our opinion are based on the component materiality level specified by you in the context of the audit of the consolidated financial statements of the group.

**Opinion**

In our opinion, the accompanying special purpose financial information for Quess Corp (USA), Inc. as of March 31, 2019 and 2018 and for the years then ended has been prepared, in all material respects, in accordance with the instructions issued by Quess Corp Limited's management and as per the accounting policies of Quess Corp Limited.

LIGGETT & WEBB P.A.
CERTIFIED PUBLIC ACCOUNTANTS

432 Park Avenue South, 10th Floor
New York, NY 10016 / (212) 481-3490

1901 South Congress Avenue, Suite 110
Boynton Beach, FL 33426 / (561) 752-1721

**Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going conern. As discussed in Note 2 to the financial statements, the Company is a holding company with limited operations and is dependent upon shareholder funding to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty

**Restriction on Use and Distribution**

This special purpose financial information has been prepared for purposes of providing information to Quess Corp Limited to enable it to prepare the consolidated financial statements of the group. As a result, the special purpose financial information is not a complete set of financial statements of Quess Corp (USA), Inc. and its subsidiaries in accordance with accounting principles generally accepted in the United States of America and is not intended to give a true and fair view of financial statements, in all material respects, the financial position of Quess Corp (USA), Inc. and its subsidiaries as of March 31, 2019 and 2018, and of its financial performance, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The special purpose financial information may, therefore, not be suitable for another purpose.

This report is intended solely for Deloitte Haskins & Sells LLP and should not be used by (or distributed to) other parties.

Liggett & Webb P.A.

New York, New York
May 15, 2019

**QUESS CORP (USA), INC.**
**BALANCE SHEET**
**AS OF MARCH 31, 2019 AND 2018**

ASSETS

| | 2019 | 2018 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 52,557 | $ 11,008 |
| Prepaid expenses | 2,441 | - |
| Total current assets | 54,998 | 11,008 |
| | | |
| Investment in unconsolidated subsidiaries | 2,478,296 | 357,677 |
| Due from affiliates | 49,469 | 2,434,126 |
| | | |
| Total assets | $ 2,582,763 | $ 2,802,811 |

LIABILITIES AND STOCKHOLDERS' DEFICIT

| | 2019 | 2018 |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ 68,782 | $ 7,100 |
| Accrued expenses | 22,501 | 8,500 |
| Due to affiliates | 3,127,782 | 2,949,766 |
| Total current liabilities | 3,219,065 | 2,965,366 |
| | | |
| Commitments and Contingencies | - | - |
| | | |
| Stockholders' deficit: | | |
| Common stock, 200 shares authorized, 1 share issued and outstanding, no par value | 100,000 | 100,000 |
| Accumulated other comprehensive income | 56,220 | - |
| Accumulated deficit | (792,522) | (262,555) |
| Total stockholders' deficit | (636,302) | (162,555) |
| | | |
| Total liabilities and stockholders' deficit | $ 2,582,763 | $ 2,802,811 |

See the accompanying notes to the financial statements.

**QUESS CORP (USA), INC.**
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | 2018 | 2017 |
|---|---|---|
| Revenue | $ - | $ - |
| Operating expenses: | | |
| Salaries | 226,837 | - |
| General and administrative | 28,037 | 18,180 |
| Professional fees | 176,267 | 101,739 |
| Total operating expenses | 431,141 | 119,919 |
| Loss from operations | (431,141) | (119,919) |
| Other (expense) income: | | |
| Interest income | 4,235 | 84,472 |
| Financing expenses | (103,061) | (94,037) |
| Net other (expense) income | (98,826) | (9,565) |
| Loss before provision for income taxes | (529,967) | (129,484) |
| Income taxes | - | - |
| Net loss | $ (529,967) | $ (129,484) |
| Comprehensive Income: | | |
| Net loss | $ (529,967) | $ (129,484) |
| Foreign currency translation adjustment | 56,220 | - |
| Total comprehensive loss attributable to stockholder | $ (473,747) | $ (129,484) |

See the accompanying notes to the unaudited financial statements.

**QUESS CORP (USA), INC.**
**STATEMENT OF STOCKHOLDERS' DEFICIT**
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | Common Stock | Accumulated (Deficit) Equity | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|
| Balance, as of March 31, 2017 | $ 100,000 | $ (133,071) | $ - | $ (33,071) |
| Net loss for the year ended March 31, 2018 | - | (129,484) | - | (129,484) |
| Balance, as of March 31, 2018 | 100,000 | (262,555) | - | (162,555) |
| Foreign currency translation adjustment | | | 56,220 | 56,220 |
| Net loss for the year ended March 31, 2019 | - | (529,967) | | (529,967) |
| Balance, as of March 31, 2019 | $ 100,000 | $ (792,522) | $ 56,220 | $ (636,302) |

See the accompanying notes to the unaudited financial statements.

# QUESS CORP (USA), INC.
## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (529,967) | $ (129,484) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Prepaid expense | (2,441) | - |
| Increase (Decrease) in: | | |
| Accounts payable | 61,682 | 7,100 |
| Accrued expenses | 14,001 | 8,500 |
| NET CASH USED IN OPERATING ACTIVITIES | (456,725) | (113,884) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment in unconsolidated subsidiary | (102,368) | (269,800) |
| Repayment of advances to affiliates, net | 366,406 | (490,126) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 264,038 | (759,926) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Advances from affiliates, net | 178,016 | 864,252 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 178,016 | 864,252 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (14,671) | (9,558) |
| EFFECT OF EXCHANGE RATE CHANGES | 56,220 | - |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 11,008 | 20,566 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 52,557 | $ 11,008 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Interest paid | $ - | $ - |
| Income taxes paid | $ - | $ - |
| NON-CASH INVESTING TRANSACTION | | |
| Amount due from affiliate used as payment for increase in investment in unconsolidated subsidiary | $ 2,018,251 | $ - |

See the accompanying notes to the unaudited financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying unaudited financial statements follows.

Business and organization

Quess Corp (USA) Inc., formerly known as Magna InfoTech Inc.,("the Company"), a Delaware corporation and wholly owned subsidiary of Quess Corp Limited (India), was incorporated on November 19, 2013. On March 23, 2015, the Company changed its name to Quess Corp (USA), Inc.

Basis of presentation

Management is responsible for the financial statements in accordance with policies and the instructions issued by Quess Corp Limited's (the "Group") management and the disclosed accounting policies.

Investments in Nonconsolidated Subsidiary

The Company held a fifty-one percent (51%) interest in Brainhunter Systems Limited with a carrying value of $87,828 until March 31, 2019 at which time an additional thirty percent (30%) interest was acquired at a cost of $2,018,251. As of March 31, 2019 and 2018, the carrying value of this investment was $2,106,079 and $87,828, respectively.

The Company owns a forty-nine percent (49%) interest in MFX Holdings, Inc. The acquisition price was $49 plus earn out payments based upon forty percent (40%) of the Company's net income during a five year earn out period beginning January 1, 2015. On April 24, 2017, the Company made an earn out payment of $550,613 based on MFXchange Holdings Inc.'s net income for the twelve months ended December 31, 2016. This payment included 51% of the earn out payment that the Company paid on behalf of Quess Corp Pte (Singapore). On April 18, 2018, the Company made an earnout payment of $208,914 based on MFXchange Holdings Inc.'s net income for the twelve months ended December 31, 2017. This payment included 51% of the earnout payment that the Company paid on behalf of Quess Corp Pte. (Singapore). As of March 31, 2019 and 2018, the carrying value of this investment was $372,217 and $269,849, respectively.

In accordance with the Group's accounting policies, typically majority-owned subsidiaries should be consolidated in the financial statements. The Company has not consolidated Brainhunter Systems Limited and its subsidiaries. The investment in Brainhunter Systems Limited is accounted for on a cost basis. In accordance with the Group's accounting policies and the instructions, Associates are entities over which the group has significant influence but not control. Investments in Associates are accounted for using the equity method of accounting. The investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the acquisition date. The investment in MFX Holdings, Inc is accounted for on a cost basis.

The Company is exempted from the requirements to prepare consolidated financial statements as the Company is a wholly owned subsidiary of Quess Corp. Limited (QCL), a company incorporated in India. QCL produces consolidated financial statements available for public use.

The effects on the financial statements of the failure to consolidate Brainhuneter Systems Limted and the failure to account for the investment in MFX Holdings, Inc. under the equity method of accounting have not been determined.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of measurement

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

a. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments) and
b. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of defined benefit obligations ("DBO").

Use of estimates and judgement

The preparation of the unaudited financial statements in conformity with the Group's accounting policies requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

a. Income taxes: Significant judgements are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.
b. Measurement of defined benefit obligations: The cost of defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.
c. Impairment of financial assets: The Company assesses on a forward looking basis the expected credit losses associated with financial assets carried at amortized cost.
d. Property, plant and equipment and intangible assets: The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically. Intangible assets acquired in business combinations are fair valued and significant estimates are made in determining the value of intangible assets. These valuations are conducted by independent experts.
e. Other estimates: The impairment of non-financial assets involves key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and nonfinancial assets and liabilities. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

*Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Basis of consolidation

a. Business combinations: The Company accounts for business combinations which occurred on or after April 1, 2015, using the acquisition method when control is transferred to the Company. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in other comprehensive income ("OCI") and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognized directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

   The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognized in the statement of operations.

   Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is re-measured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognized in the statement of operations.

   If a business combination is achieved in stages, any previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in the statement of operations or other comprehensive income ("OCI"), as the case may be.

b. Goodwill: Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. When the net fair value of the identifiable assets, liabilities and contingent liabilities ("net assets") acquired exceeds the cost of business acquisition, the excess of net assets over cost of business acquisition is recognized immediately in capital reserve.

   Any goodwill that arises is tested annually for impairment. An impairment loss on goodwill is not subsequently reversed. In respect of such business combinations that occurred prior to April 1, 2015, goodwill is included on the basis of its deemed cost on the transition date, which represents the amount recorded under the Group's previous policy.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

c. Intangible assets: Intangible assets acquired in a business combination (such as brands, customer contracts and customer relationships) are measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The amortization of an intangible asset with a finite useful life reflects the manner in which the economic benefit is expected to be generated and is included in depreciation and amortization expenses in the statement of operations. The estimated useful life of amortizable intangibles are reviewed and where appropriate are adjusted, annually.

d. Subsidiaries: Subsidiaries are the entities controlled by the Group. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control exists when the parent has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases. The financial statements of the Group companies are consolidated on a line-by-line basis and intra-group balances and transactions including unrealized gain/ loss from such transactions are eliminated upon consolidation. The financial statements are prepared by applying uniform policies in use at the Group. Non-controlling interests ("NCI") which represent part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Group, are excluded.

   NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. In case where the Group has written a put option with NCI in an existing subsidiary on their equity interest in that subsidiary then the Group evaluates access to the returns associated with the ownership interest. In case NCI still have present access to returns associated with the underlying ownership interest, then the Group has elected to account for put option as per the anticipated-acquisition method. Under the anticipated-acquisition method the put option is accounted for as an anticipated acquisition of the underlying NCI. This is independent of how the exercise price is determined (e.g. fixed or variable) and how likely it is that the option will be exercised. Subsequent to initial recognition, any changes in the carrying amount of the put liability is accounted through statement of operations.

   Change in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

e. Equity accounted investees: The Group's interests in equity accounted investees comprise interests in associates and joint ventures. Associates are entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

   Interests in associates and joint ventures are accounted for using the equity method of accounting. The investment is initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity accounted investees until the date on which significant influence or joint control ceases. The Group's investment in equity accounted investees includes goodwill identified on acquisition.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The financial statements are presented in US dollars ("USD"), which is the Company's functional currency.

Property, plant and equipment

a. Recognition and measurement: Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

   Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of operations. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of operations when incurred. Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'.

b. Depreciation: Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognized in the statement of operations. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of). The Group has estimated the useful lives for property, plant and equipment as follows:

| | |
|---|---|
| Plant and machinery | 3 years |
| Computer equipment | 3 years |
| Computer (data server) | 7 years |
| Furniture and fixtures | 4-7 years |
| Office equipment | 4-5 years |
| Vehicles | 3 years |

   Leasehold improvements are depreciated over the lease term or estimated useful life whichever is lower. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Goodwill and other intangible assets</u>

a. Goodwill: Subsequent measurement of goodwill that arises on business combination is at carrying cost less any accumulated impairment losses.

b. Other intangible assets:
*Internally generated: Research and development*

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software includes employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is available for use.

*Others*
Other intangible assets such as computer software, copyright and trademarks are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

c. Subsequent expenditure: Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognized in the statement of operations as and when incurred.

d. Amortization: Goodwill is not amortized and is tested for impairment annually. Amortization is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortization expenses in the statement of operations.

The estimated useful lives of intangible assets are as follows:

| | |
|---|---|
| Computer software | 3-5 years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of operations is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of operations if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset / CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's CGU or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU.

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognized in net profit in the statement of operations and is not reversed in the subsequent period.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and revenue can be reliably measured, regardless of when the payment is

being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

When the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent that expenses incurred are eligible to be recovered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration.

When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognized on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

Deferred revenue included in other current liabilities represents amounts billed in excess of revenue earned. Unbilled revenue represents revenue earned in excess of amounts billed.

a. People and services: Revenue related to staffing services i.e. salary and incidental expenses of temporary associates along with the service charges are recognized in accordance with the agreed terms and recognized as the related services are performed. Revenue related to recruitment services are recognized at the time the candidate begins full time employment. Revenue related to executive research and trainings are recognized upon rendering of the service. Revenue from training services is recognized prorated over the period of training.

b. Global technology solutions: Revenue related to staffing services i.e. salary and incidental expenses of employees of Information Technology/ Information Technology Enabled Services along with the service charges are recognized in accordance with the agreed terms and recognized as the related services are performed. Revenue from information technology primarily includes co-location, which includes the licensing of cabinet space and power, interconnection offerings; managed infrastructure services and application management services. Revenue is recognized ratably in accordance with the agreed terms of the contract with the customers.

Other income

Other income mostly comprises interest income on deposits, and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognized using the effective interest method.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in statement of operations. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognized in the statement operations, except exchange differences arising from the translation of the following items which are recognized in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations (subsidiaries and joint venture) including goodwill and fair value adjustments arising on acquisition, are translated into USD, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed of, in full, the relevant amount is transferred to net profit in the statement of operations. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

Financial instruments

Recognition and initial measurement:
Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

Classification and subsequent measurement:
Financial assets:
On initial recognition, a financial asset is classified as measured at
- Amortized cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

a. A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at FVTPL:
   - the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
   - the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.
b. A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
   - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
   - the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.
c. On initial recognition of an equity investment that is not held for trading, the Group irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.
d. All financial assets not classified at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses:
- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of operations.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of operations. Any gain or loss on derecognition is recognized in the statement of operations.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of operations. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of operations.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of operations unless the dividend clearly represents a recovery of part of the cost of the investment other net gains and losses are recognized in OCI and are not reclassified to statement of operations.

Impairment of financial assets:
The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group applies Expected Credit Loss ("ECL") model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

Derecognition of financial assets:
A financial asset is derecognized only when:

- The Group has transferred the rights to receive cash flows from the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Group has not retained control of the financial asset.

Financial Liabilities:
Classification, subsequent measurement and gains and losses:
Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of operations. Other financial liabilities subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of operations. Any gain or loss is also recognized in the statement of operations.

Financial guarantee contracts:
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements and the amount recognized less cumulative amortization.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition:
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of operations.

Offsetting:
Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Employee benefits

a. Short-term benefit plans - Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid e.g. short term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

b. Compensated absences - The employees of the Group are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement.
c. Defined contribution plan - A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Group's contribution is recognized as an expense in the statement of operations during the period in which the employee renders the related service
d. Termination benefits - Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

Share based payments

Equity instruments granted to the employees of the Group are measured by reference to the fair value of the instrument at the date of grant. The expense is recognized in the statement of operations with a corresponding increase to the share based payment reserve, a component of equity. The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortization). The stock compensation expense is determined based on the Group's estimate of equity instruments that will eventually vest.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognized for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.
- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Group recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realized. Deferred tax assets, unrecognized or recognized, are reviewed at each reporting date and are recognized/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realized.

Minimum alternative tax ("MAT") paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax in future years. Deferred tax includes carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognized as finance cost. Expected future operating losses are not provided for.

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognized as finance cost. Expected future operating losses are not provided for.

Onerous contract:
A contract is considered to be onerous when the expected economic benefit to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognizes any impairment loss on the assets associated with the contract.

Contingent liability

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

Effective April 1, 2017, the Group adopted the standard to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## NOTE 2 –LIQUIDTIY AND GOING CONCERN

Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is a holding company with limited operations and is dependent upon shareholder funding to continue as a going concern. The financial statements do not include any adjustments that might result from the countcome of this uncertainy.

## NOTE 3 – RELATED PARTY TRANSACTIONS

The Company is primarily a holding company that does not have any significant operating activities. Accordingly, the Company has incurred numerious transactions with related parties.

During the year ended March 31, 2019, the Company charged Brainhunter Systems Ltd interest in the amount of $68,725 on the amounts advanced to Brainhunter. At March 31, 2019, the Company and Brainhunter Systems Ltd agreed to reverse $64,490 of the interest charged. Therefore interest income amounted to $4,235 for the year ended March 31, 2019.

## NOTE 3 – RELATED PARTY TRANSACTIONS (continued)

As of March 31, 2019, the balances due from/to affiliates were as follows:

| | 2019 | 2018 |
|---|---|---|
| Due from affiliates: | | |
| Brainhunter Systems Limited, Canada | $ 49,469 | $ 2,134,557 |
| Quess Corp Holdings Pte Ltd. | - | 299,569 |
| Total | $ 49,469 | $ 2,434,126 |
| | | |
| Due to affiliates: | | |
| Quess Corp Holdings Pte Ltd. | $ 2,188,318 | $ 1,994,624 |
| Brainhunter Systems Limited, Canada | - | 51,281 |
| Quess Corp Ltd. India | 851,596 | 850,666 |
| MFXchange US, Inc. | 87,868 | 53,195 |
| Total | $ 3,127,782 | $ 2,949,766 |

## NOTE 4 – STOCKHOLDER'S EQUITY

The Company has 200 shares of common stock authorized to be issued at no par value. As of March 31, 2019, the Company has one share of common stock issued and outstanding.

## NOTE 5 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions for potential recognition or disclosure through May 15, 2019, which is the date the financial statements were available to be issued. No subsequent events were noted.

# QUESS CORP VIETNAM LLC

## AUDITED FINANCIAL STATEMENT

**for the fiscal year from March 26, 2018 to March 31, 2019**

<u>Audited by:</u>

**SAI GON CONSULTING TAX AUDITING COMPANY LIMITED**

# INDEX

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of QUESS CORP VIETNAM LLC (hereinafter called "the Company") presents its report and the Company's financial statements for the fiscal year was begin March 26, 2018 and ended on March 31, 2019 ("the fiscal year ended on March 31, 2019").

## CHAIRMAN OF COMPANY, DIRECTOR AND LEGAL REPRESENTATIVE

Chairman of Company and Director of the Company who managed the company during the fiscal year ended on March 31st, 2019 and up to the date of the owner's capital investments report, are as follows:

| | |
|---|---|
| Mr. Subrata Kumar Nag | Chairman of Company and Legal representative, Nationality: Indian |
| Mr. Vijay Sivaram | Director and Legal representative, Nationality: Indian |

## AUDITOR

Saigon Consulting Tax Auditing Company Limited has been appointed to perform the audit of the Company's financial statements for the fiscal year ended on March 31, 2019.

## STATEMENT OF THE BOARD OF DIRECTORS'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Board of Directors is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of its results and cash flows for the fiscal year end on March 31, 2019. In preparing those financial statements, Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the basis of compliance with accounting standards and system and other related regulations;
- Prepare the financial statements on going concern basis unless it is inappropriate to presume that the Company will continue in business.

Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company, and to ensure that the accounting records comply with Vietnamese Accounting Standard, the Vietnamese Accounting System for enterprises, and relevant statutory requirements applicable to financial reports. It is responsible for safeguarding the assets the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# REPORT OF THE BOARD OF DIRECTORS

## APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors, confirm that the financial statements prepared by us, give a true and fair view of the financial position as at March 31, 2019, its operation results and cash flows in the fiscal year from March 26, 2018 to March 31, 2019 in accordance with the Vietnamese Accounting System and comply with relevant statutory requirements for preparation and presentation of financial statements.

For and on behalf of Company,

**VIJAY SIVARAM**

Director

*Ho Chi Minh City, April 20, 2019*

SGA
Audit - Tax - Consulting

**Saigon Consulting Tax Auditing Company Limited**
Office: 2nd floor, 5-7 Hoang Viet street
Tan Binh district, Ho Chi Minh city
www.saigonauditing.com
Tel : 84 - 6293 5468 Fax: 84 - 6293 5455

Ref: 19208/BCKT-SGA

# INDEPENDENT AUDITORS' REPORT

*Financial statement of QUESS CORP VIETNAM LLC*

*for the year ended March 31, 2019*

**To:** **CHAIRMAN**
**DIRECTOR**
**QUESS CORP VIETNAM LLC**

We have audited the financial statements of QUESS CORP VIETNAM LLC (hereinafter called "the Company") including balance sheet as of March 31, 2019, income statement and statement of cash flows, together with the notes to the financial statements for the year ended at the same day, prepared on April 20, 2019 as set out on pages from 5 to 20.

## Director's Responsibility for the Financial Statements

Director is responsible for the preparation of these financial statements in accordance with Vietnam Accounting Standard and Vietnam Accounting Regime, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; select and apply suitable accounting policies; and make accounting estimate reasonably for each case.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

## Opinion

In our opinion, in all material aspects, the enclosed financial statements give a true and fair view of the financial position of QUESS CORP VIETNAM LLC as at March 31, 2019, together with its operation results and cash flows for the year ended at the same date in accordance with Vietnamese accounting standards and system and comply with relevant statutory requirements.

S.Đ.K.K.D: 0310230853 - C.T.T.N.H.H
CÔNG TY TRÁCH NHIỆM HỮU HẠN KIỂM TOÁN THUẾ TƯ VẤN SÀI GÒN
Q.TÂN BÌNH - TP.HỒ CHÍ MINH

| | |
|---|---|
| **BUI TRUNG HIEU** | **HOANG THI TRUC HUONG** |
| **Director** | **Auditor** |
| Practicing auditor registration certificate | Practicing auditor registration certificate |
| No.1341-2018-207-1 | No.1809-2018-207-1 |

For and on behalf of

**SAI GON CONSULTING TAX AUDITING COMPANY LIMITED**

*Ho Chi Minh City, April 22, 2019*

QUESS CORP VIETNAM LLC

# BALANCE SHEET

As at March 31, 2019

Form B01-DN

*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

| Items | Code | Note | Mar 31, 2019 VND | Mar 26, 2018 VND |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **A. CURRENT ASSETS (100 = 110 + 120 + 130 + 140 + 150)** | **100** | | **11,999,795,253** | **-** |
| **I. Cash and cash equivalents** | **110** | | **5,782,970,230** | **-** |
| 1. Cash | 111 | IV.1 | 5,782,970,230 | - |
| **II. Short-term investments** | **120** | | **-** | **-** |
| **III. Accounts receivable** | **130** | | **6,117,966,983** | **-** |
| 1. Trade receivables | 131 | IV.2 | 5,928,532,188 | - |
| 2. Advances to suppliers | 132 | IV.3 | 48,194,238 | - |
| 3. Other receivables | 136 | IV.4 | 141,240,557 | - |
| **IV. Inventories** | **140** | | **-** | **-** |
| **V. Other current assets** | **150** | | **98,858,040** | **-** |
| 1. Prepaid expenses | 151 | IV.5a | 98,858,040 | - |
| 1. VAT deductibles | 152 | | - | - |
| **B. NON-CURRENT ASSETS (200 = 210 + 220 + 230 + 240 + 250 + 260)** | **200** | | **198,444,445** | **-** |
| **I. Long – term receivables** | **210** | | **-** | **-** |
| **II. Fixed assets** | **220** | | **-** | **-** |
| **III. Investment properties** | **230** | | **-** | **-** |
| **IV. Long-term asset in progress** | **240** | | **-** | **-** |
| **V. Long-term investments** | **250** | | **-** | **-** |
| **VI. Other long-term assets** | **260** | | **198,444,445** | **-** |
| 1. Long-term prepaid expenses | 261 | IV.5b | 198,444,445 | - |
| **TOTAL ASSETS (270 = 100 + 200)** | **270** | | **12,198,239,698** | **-** |

QUESS CORP VIETNAM LLC

# BALANCE SHEET

As at March 31, 2019

Form B01-DN

*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

| Items | Code | Note | Mar 31, 2019 VND | Mar 26, 2018 VND |
|---|---|---|---|---|
| **RESOURCES** | | | | |
| **C . LIABILITIES (300 = 310 + 330)** | **300** | | **7,509,864,940** | **-** |
| **I. Current liabilities** | **310** | | **7,509,864,940** | **-** |
| 1. Accounts payable to suppliers | 311 | IV.7 | 1,203,005,761 | - |
| 2. Taxes payables and statutory obligations | 313 | IV.8 | 1,314,767,133 | - |
| 3. Accrued expenses | 315 | IV.9 | 51,173,485 | - |
| 4. Other payables | 319 | IV.10 | 1,005,127,476 | - |
| 5. Loans and finance lease liabilities | 320 | IV.6 | 3,935,791,085 | - |
| **II. Long-term liabilities** | **330** | | **-** | **-** |
| **D . OWNER'S EQUITY (400 = 410 + 430)** | **400** | | **4,688,374,758** | **-** |
| **I. Equity** | **410** | **IV.11** | **4,688,374,758** | **-** |
| 1. Contributed capital | 411 | | 4,333,783,580 | - |
| 2. Retained profits | 421 | | 354,591,178 | - |
| - Retained profits for the current year | 421b | | 354,591,178 | - |
| **II. Others capital and funds** | **430** | | **-** | **-** |
| **TOTAL RESOURCES (440 = 300 + 400)** | **440** | | **12,198,239,698** | **-** |

Prepared by

**VIJAY SIVARAM**
Director
*Ho Chi Minh City, April 20, 2019*

# INCOME STATEMENT

for the fiscal year ended March 31, 2019

**Form B02-DN**

*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

| Items | Code | Notes | Current year VND | Previous year VND |
|---|---|---|---|---|
| 1. Revenues from sales of goods and rendering of services | 01 | V.1 | 19,999,850,071 | - |
| 2. Revenue deductions | 02 | | - | - |
| 3. Net revenue from sales of goods and rendering of services (10=01-02) | 10 | | 19,999,850,071 | - |
| 4. Cost of sales | 11 | V.2 | 16,588,736,404 | - |
| **5. Gross profit form sales of goods and rendering of services (20=10-11)** | **20** | | **3,411,113,667** | **-** |
| 6. Income from financial activities | 21 | V.3 | 42,461,299 | - |
| 7. Expenses from financial activities | 22 | V.4 | 503,569,139 | - |
| *In which: interest expenses* | 23 | | *66,746,979* | - |
| 8. Selling expenses | 25 | | - | - |
| 9. General & administration expenses | 26 | V.5 | 2,421,195,346 | - |
| **10. Net operating profit/(loss) (30=20+(21-22)-(25+26))** | **30** | | **528,810,481** | **-** |
| 11. Other income | 31 | | - | - |
| 12. Other expenses | 32 | | - | - |
| 13. Other profit (40=31 - 32) | 40 | | - | - |
| **14. Accounting profit before tax (50=30+40)** | **50** | | **528,810,481** | **-** |
| 15. Current corporate income tax expenses | 51 | V.7 | 174,219,303 | - |
| 16. Deferred corporate income tax (income) expenses | 52 | | - | - |
| **17. Net profit/(loss) after tax (60=50-51-52)** | **60** | | **354,591,178** | **-** |

Prepared by

**VIJAY SIVARAM**

Director

*Ho Chi Minh City, April 20, 2019*

# CASH FLOWS STATEMENT

*(Indirect method)*

for the fiscal year ended March 31, 2019

**Form B03-DN**

*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

| Items | Code | Notes | Current year VND | Previous year VND |
|---|---|---|---|---|
| **I. Cash Flows from Operating Activities** | | | | |
| ***1. Profit before tax*** | ***01*** | | ***528,810,481*** | - |
| ***2. Adjustments*** | | | | |
| - Unrealized foreign exchange gains, losses | 04 | | 394,360,861 | - |
| - Interest expenses | 06 | | 66,746,979 | - |
| ***3. Operating profit before changes in working capital*** | ***08*** | | ***989,918,321*** | - |
| - Increase, decrease in trade receivable | 09 | | (6,117,966,983) | - |
| - Increase, decrease in payables (not including other interest, incomes tax) | 11 | | 3,343,999,385 | - |
| - Increase, decrease in prepaid expenses | 12 | | (297,302,485) | - |
| - Other receipts from operating activities | 16 | | - | - |
| ***Net cash flow from operating activities*** | ***20*** | | ***(2,081,351,762)*** | - |
| **II. Cash Flows from Investing Activities** | | | | |
| **III. Cash Flows from Financing Activities** | | | | |
| 1. Proceeds from equity issue and owner's equity | 31 | | 4,333,783,580 | - |
| 2. Proceeds from short-term and long-term borrowings | 33 | | 7,104,501,880 | - |
| 3. Payment to settle debts (principal) | 34 | | (3,576,247,374) | - |
| ***Net cash flows from financing activities*** | ***40*** | | ***7,862,038,086*** | - |
| **Net cash flows in the period (50=20+30+40)** | **50** | | **5,780,686,324** | - |
| **Cash and cash equivalent at beginning of year** | **60** | | - | - |
| Impacts of exchange rate fluctuations | 61 | | 2,283,906 | - |
| **Cash and cash equivalent at the end of year (70=50+60+61)** | **70** | | **5,782,970,230** | - |

Prepared by

**VIJAY SIVARAM**

Director

*Ho Chi Minh City, April 20, 2019*

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

**Form B09-DN**

*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

## I. Reporting entity

### 1. Structure of ownership

Quess Corp Vietnam LLC is a one member limited liability company owned by Quess Corp Limited which located in India and operates in accordance with the Law on Enterprise of Vietnam.

The company operates under the Investment Registration Certificate No. 8762150491 issued by the People's Commitee of Ho Chi Minh city for the first time on March 1st, 2018; and Business Registration Certificate No. 0314944513 issued by the Department of Planning and Investment of Ho Chi Minh city for the first time on March 26th, 2018, the first amendment on October 3rd, 2018.

The Company is located at 7th - 8th Floor, Me Linh Point Tower, No.2 Ngo Duc Ke Street, Ben Nghe Ward, District 1, HCMC, Vietnam.

Charter capital is VND 4,300,000,000 equivalent to USD 188,762.00.

### 2. Business areas

Services.

### 3. Principal activities

- Computers and computer system administration consulting;
- Data processing, leasing and related activities;
- Activities of centers, agents for employment consultancy, introduction and brokerage;
- Supply and management of labor resources.

### 4. Normal operating cycle

Normal operating cycle of the Company is generally within 12 months.

## II. Basis of preparation

### 1. Statement of compliance

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

### 2. Basis of measurement

The financial statements are prepared on the accrual basis using the historical cost concept, and going concern basis.

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

**Form B09-DN**

*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

### 3. Annual accounting period

The first accounting period was from March 26, 2018 to March 31, 2019.

The annual accounting period of the Company is from January 1 to December 31.

### 4. Accounting and presentation currency

The Company maintains its accounting records in Vietnam dong (VND), and monetary unit was presented on the financial statements in Vietnam dong (VND).

## III. Summary of significant accounting policies

### 1. Foreign currency transactions

Exchange rate in transaction of contributed capital: the foreign currency buying rate at the reporting date quoted by the commercial bank, which receive money from investors;

Exchange rate in transaction of recognition and revaluation receivables: the foreign currency buying rate at the reporting date quoted by the commercial bank;

Exchange rate in transaction of recognition and revaluation payables: the foreign currency selling rate at the reporting date quoted by the commercial bank;

### 2. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposit, cash in transit and short-term investment (original term was less than 3 months) that are readily to convertible to knows amounts of cash and which are subject to an insignificant risk of changes in value.

### 3. Receivables

The receivables is presented in estimated collectable value. The value is estimated in subtraction of book value of receivable to provision for bad debts which are estimated for overdue debts, the debts with inability payment.

### 4. Prepaid expenses

Prepaid expenses include short term's and long term's which are presented at net book value. These expenditures have been capitalized and are located to the income statement of the fiscal year, by using the straight-line method.
The expenditures, are expected to provide future economic benefits to the Company for more than one year, are recognized as long term prepaid.

**Form B09-DN**

*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

## 5. Payable expenses and accrued expenses

Payable expenses and accrued expenses are record for amount will paid in the future related goods and services, it not depend on whether the Company receive tax invoice from suppliers.

Expenses not yet occurred may be charged in advance into production and operating costs in order to ensure when these expenses arise, they do not make material influence on production and operating costs on the basis of suitability between revenue and cost. When these expenses arise, if there is any difference with the amount charged, accountants additionally record or make decrease to cost equivalent to the difference.

## 6. Revenue

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to the Company;

(c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and

(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

## 7. Expenses

Production, operating and other expenses are recorded in Income statement when they decreased future economic benefits related to decreasing assets or increasing payable and value of the expenses should be determined reliable.

The expenses are recorded in matching of income and expenses.

## 8. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

The Company's corporate income tax expense is calculated using tax rate that have been affected at the date of preparing the balance sheet.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

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## 9. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Detail of related parties of the Company as

| Related parties | Relationship |
|---|---|
| Quess Corp Ltd | Parent Company |
| Quess (Philipines) Corp | Fellow company |
| Quess (Singapore) Corp | Fellow company |

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

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## IV. Additional information to items in Balance Sheet

Unit: Vietnam dong

### 1. Cash and cash equivalents

| | | Mar 31, 2019 | Mar 26, 2018 |
|---|---|---|---|
| Cash in bank | | 5,782,970,230 | - |
| *- Cash in bank VND* | | *2,787,706,420* | - |
| *- Cash in bank USD* | | *575,723,610* | - |
| | # | *$ 24,923.10* | |
| | (*) | *2,419,540,200* | - |
| | # | *$ 104,742.00* | |
| | | **5,782,970,230** | **-** |

*(*) Including VND 2,300,000,000 equivalent to USD 100,000.00 is an unavailable balance due to the commitment of the parent company to ensure financial to amend the business license.*

### 2. Short term accounts receivable from customers

| | Mar 31, 2019 | Mar 26, 2018 |
|---|---|---|
| VPBank Finance Company Limited | 3,486,590,150 | - |
| Oravel Stays Singapore Pte., Ltd | 274,686,236 | - |
| Zebra Technologies Asia Pacific Pte. Ltd | 2,161,038,303 | - |
| Decathlon Viet Nam Co.,Ltd | 6,217,500 | - |
| | **5,928,532,188** | **-** |

### 3. Short term advance to suppliers

| | Mar 31, 2019 | Mar 26, 2018 |
|---|---|---|
| Vietnam International Law firm | 46,146,900 | - |
| Other suppliers | 2,047,338 | |
| | **48,194,238** | **-** |

### 4. Other short-term receivables

| | Mar 31, 2019 | Mar 26, 2018 |
|---|---|---|
| Mortgage, collateral | 139,134,900 | - |
| Other receivables | 2,105,657 | - |
| | **141,240,557** | **-** |

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

**Form B09-DN**

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| **5. Prepaid expenses** | Mar 31, 2019 | Mar 26, 2018 |
|---|---|---|
| ***a. Short-term prepaid expenses*** | | |
| Insurance expenses | 39,394,867 | - |
| Prepaid office rental expenses | 36,462,580 | - |
| Prepaid tools and supplies expenses | 23,000,593 | - |
| | **98,858,040** | **-** |
| ***b. Long-term prepaid expenses*** | | |
| Office survey costs | 198,444,445 | - |
| | **198,444,445** | **-** |

**6. Loans and finance lease liabilities - short term**

| | | Mar 31, 2019 | | Mar 26, 2018 | |
|---|---|---|---|---|---|
| | | Carrying amount | Repayable amount | Carrying amount | Repayable amount |
| ***Short term loans with related parties*** | | | | | |
| - Quess Corp Ltd (**) | | 2,439,118,500 | 2,439,118,500 | - | - |
| | # | *INR 7,014,000.00* | *INR 7,014,000.00* | - | - |
| - Quess (Philippines) Corp (***) | | 1,496,672,585 | 1,496,672,585 | - | - |
| | # | *PHP 3,232,554.18* | *PHP 3,232,554.18* | - | - |
| | | **3,935,791,085** | **3,935,791,085** | **-** | **-** |

Detail of short term loans

(**) This is short-term loan of Quess Corp Ltd with loan contract signed on April 1, 2018;

- Amount : 7,014,000.00 INR;
- Loan term : 01 year from December 27, 2018 to December 26, 2019;
- Interest rate : 7.51%/year, payment quarterly;
- Loan purpose : payment for operating expenses;
- Collateral : None

(***) This is short-term loan of Quess (Philippines) Corp with loan contract signed on September 14, 2018;

- Amount : 3,232,554.18 PHP;
- Loan term : 01 year from September 24, 2018 to September 23, 2019;
- Interest rate : 0%/year;
- Loan purpose : payment for operating expenses;
- Collateral : None

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

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| **7. Short term accounts payable to other suppliers** | Mar 31, 2019 | | Mar 26, 2018 | |
|---|---|---|---|---|
| | Carrying amount | Repayable amount | Carrying amount | Repayable amount |
| Manpower Co.,Ltd | 1,144,618,309 | 1,144,618,309 | - | - |
| Talent Trader Vietnam Co.,Ltd | 10,810,875 | 10,810,875 | - | - |
| Other suppliers | 47,576,577 | 47,576,577 | - | - |
| | **1,203,005,761** | **1,203,005,761** | **-** | **-** |

| **8. Taxes payables and statutory obligations** | Mar 26, 2018 | Incurred | Paid | Mar 31, 2019 |
|---|---|---|---|---|
| - Value added tax | - | 1,975,889,547 | (1,154,507,526) | 821,382,021 |
| - Corporate income tax | - | 174,219,303 | - | 174,219,303 |
| - Personal income tax | - | 479,024,221 | (159,858,412) | 319,165,809 |
| - Other taxes | - | 2,000,000 | (2,000,000) | - |
| Taxes payables and statutory obligations | **-** | **2,631,133,071** | **(1,316,365,938)** | **1,314,767,133** |
| Tax and receivables from state budget | **-** | | | **-** |

| **9. Short term accrued expenses** | Mar 31, 2019 | Mar 26, 2018 |
|---|---|---|
| Audit fee | 15,000,000 | - |
| Professional service fee | 35,000,000 | - |
| Others | 1,173,485 | - |
| | **51,173,485** | **-** |

| **10. Short term other payables** | Mar 31, 2019 | Mar 26, 2018 |
|---|---|---|
| Union fee | 66,326,880 | - |
| Social insurance, Health insurance, unemployment insuarance | 139,481,191 | - |
| Others | 55,401,158 | - |
| Loan interest - Quess Corp Ltd - Related party | 66,746,979 | - |
| | *# INR 191,939.55* | - |
| Paid on behalf - Quess (Philippines) Corp - Related party | 277,832,790 | - |
| | *# PHP 600,070.82* | - |
| Paid on behalf - Quess (Singapore) Corp - Related party | 399,338,478 | - |
| | *# SGD 22,869.00* | |
| | **1,005,127,476** | **-** |

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

**Form B09-DN**

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## 11. Owner's equity

### a. *Changes in owners' equity*

| | Items of owner's equity | | |
|---|---|---|---|
| | Contributed charter capital | Retained earning | Total |
| **Opening balance of the year** | - | - | - |
| Contribute/(with draw) capital in the year | 4,333,783,580 | - | 4,333,783,580 |
| Net profit /(loss) for the year | - | 354,591,178 | 354,591,178 |
| **Closing balance** | **4,333,783,580** | **354,591,178** | **4,688,374,758** |

### b. *Details of owner's equity*

| Investor/share holders | Registered Charter capital | | Contributed Charter capital | |
|---|---|---|---|---|
| | Amount (USD) | Amount (VND) | Amount (USD) | Amount (VND) |
| Quess Corp Ltd | 188,762.00 | 4,300,000,000 | 188,762.00 | 4,333,783,580 |
| | **188,762.00** | **4,300,000,000** | **188,762.00** | **4,333,783,580** |

# NOTES TO THE FINANCIAL STATEMENTS
for the fiscal year ended March 31, 2019

**Form B09-DN**

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## V. Additional information to items in income statement

| 1. **Revenue from sale of goods and rendering of service** | Current year | Previous year |
|---|---|---|
| ***Gross revenue*** | | |
| Revenue from rendering of service | 19,999,850,071 | - |
| | **19,999,850,071** | **-** |

| 2. **Cost of sales** | Current year | Previous year |
|---|---|---|
| Cost of goods sold from render of services | 16,588,736,404 | - |
| | **16,588,736,404** | **-** |

| 3. **Financial income** | Current year | Previous year |
|---|---|---|
| Gain of difference from exchange rate | 42,461,299 | - |
| | **42,461,299** | **-** |

| 4. **Financial expenses** | Current year | Previous year |
|---|---|---|
| Loan interest | 66,746,979 | - |
| Loss of difference from exchange rate | 98,715 | - |
| Loss of difference from revaluation exchange rate | 436,723,445 | - |
| | **503,569,139** | **-** |

| 5. **General & administration expenses** | Current year | Previous year |
|---|---|---|
| Expense of employees | 1,009,096,207 | - |
| Office equipment expenses | 25,859,349 | - |
| Outsourced services expenses | 739,852,389 | - |
| Other expenses | 646,387,401 | - |
| | **2,421,195,346** | **-** |

| 6. **Operating cost by nature** | Current year | Previous year |
|---|---|---|
| Labor cost | 17,597,832,611 | - |
| Tools and instruments expenses | 25,859,349 | - |
| Outsourced services expenses | 739,852,389 | - |
| Other expenses | 646,387,401 | - |
| | **19,009,931,750** | **-** |

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

**Form B09-DN**

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## 7. Current corporate income tax ("CIT") expenses

| | Current year |
|---|---|
| **Acounting profit before tax** | **528,810,481** |
| Adjustment to increasing accounting profit | 342,286,034 |
| *Non deductibile expenses* | *290,002,128* |
| *Accrued expenses at the end of this year* | *50,000,000* |
| *Unrealized foreign exchange loss* | *2,283,906* |
| **Profit before tax loss carried forward** | **871,096,515** |
| Tax loss carried forward | - |
| **Estimated current taxable profit** | **871,096,515** |
| Tax rate | 20% |
| **Estimated current CIT expenses** | **174,219,303** |

The determination of the tax currently payable and deferred tax is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

# NOTES TO THE FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2019

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## VI. Other information

### 1. Subsequent events since the balance sheet date

There has been no significant financial event occurring after the balance sheet date, which would require adjustments or disclosures to be made in the financial statements.

### 2. Significant transactions related parties

Significant transactions with related parties in the year were as follows:

| Related parties | Transaction | Current year | Previous year |
|---|---|---|---|
| Quess Corp Ltd | Contributed capital | 4,333,783,580 | - |
| | | # *$ 188,762.00* | |
| | Short term loan | 2,312,537,400 | - |
| | | # *INR 7,014,000.00* | |
| | Loan interest | 66,746,979 | - |
| | | # *INR 191,939.55* | |
| Quess (Philipines) Corp | Short term loan | 4,791,964,480 | - |
| | | # *$ 11,186,583.18* | - |
| | Paid on behalf (payables) | 267,081,902 | - |
| | | *PHP 600,070.82* | |
| Quess (Singapore) Corp | Paid on behalf (payables) | 383,389,222 | - |
| | | # *SGD 22,869.00* | - |

At fiscal year end, accounts receivable and payable with related parties were as follows:

| Related parties | Transaction | Balance 31/03/2019 | Balance 26/03/2018 |
|---|---|---|---|
| Quess Corp Ltd | Short term loan payable | 2,439,118,500 | - |
| | | # *INR 7,014,000.00* | |
| | Loan interest payable | 66,746,979 | - |
| | | # *INR 191,939.55* | |
| Quess (Philipines) Corp | Short term loan payable | 1,496,672,585 | - |
| | | # *PHP 3,232,554.18* | |
| | Paid on behalf (payable) | 277,832,790 | - |
| | | *PHP 600,070.82* | |
| Quess (Singapore) Corp | Paid on behalf (payable) | 399,338,478 | - |
| | | *SGD 22,869.00* | |

## 3. Going concern information

Director confirm that the Company have no intend to dissolve or narrow the scope of business within next 12 months from the closing date. Therefore, the financial statement were prepared and present on going concern.

Prepared by

**VIJAY SIVARAM**
Director
*Ho Chi Minh City, April 20, 2019*

# BRAINHUNTER SYSTEM LTD.

## CONSOLIDATED FINANCIAL STATEMENTS

## MARCH 31, 2019

# BRAINHUNTER SYSTEM LTD.

## MARCH 31, 2019

## CONTENTS

PARTNERS BEYOND BOUNDARIES

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Brainhunter system Ltd.

We have audited the consolidated balance sheet of Brainhunter system Ltd. as at March 31, 2019, and the consolidated statements of income and deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

## Other Matters

The consolidated financial statements of the Company as at and for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 7, 2018.

KNAV Professional Corporation

KNAV Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Toronto, Ontario
May 3, 2019

# BRAINHUNTER SYSTEM LTD.

## CONSOLIDATED BALANCE SHEET

## AS AT MARCH 31, 2019

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash and cash equivalents (note 3) | $ 1,033,957 | $ 1,099,637 |
| Accounts receivable | 9,839,923 | 11,222,885 |
| Prepaid expenses (note 13) | 52,720 | 481,464 |
| Due from related parties (note 8) | 2,423,095 | - |
| | 13,349,695 | 12,803,986 |
| Non-Current | | |
| Deposits | 69,955 | 84,082 |
| Deposits with government authorities (note 13) | 642,713 | 347,391 |
| Future income tax recoverable (note 9) | 509,693 | 550,872 |
| Investment in MFXchange Holdings Inc | 9,510 | - |
| Property and equipment (note 4) | 951,868 | 517,448 |
| Intangibles (note 5) | 122,694 | - |
| | 2,306,433 | 1,499,793 |
| | $ 15,656,128 | $ 14,303,779 |
| **LIABILITIES** | | |
| Current | | |
| Bank indebtedness (note 6) | $ 8,430,970 | $ 9,302,472 |
| Accounts payable and accrued liabilities (note 7) | 6,398,840 | 7,018,594 |
| Due to related parties (note 8) | - | 4,410,764 |
| Deferred revenue | 282,181 | 373,557 |
| Income tax payable (note 9) | 298,382 | 264,956 |
| | 15,410,373 | 21,370,343 |
| Non-Current | | |
| Bank indebtedness (note 6) | 969,000 | 706,860 |
| | 16,379,373 | 22,077,203 |
| **SHAREHOLDER'S EQUITY** | | |
| Capital stock (note 10) | 7,224,655 | 4,514,502 |
| Deficit | (7,947,900) | (12,287,926) |
| | (723,245) | (7,773,424) |
| | $ 15,656,128 | $ 14,303,779 |

Approved:

See accompanying notes.

## BRAINHUNTER SYSTEM LTD.

### CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

### FOR THE YEAR ENDED MARCH 31, 2019

| | 2019 | 2018 |
|---|---|---|
| Revenue | $ 63,296,705 | $ 63,050,141 |
| Cost of sales | 53,770,707 | 53,697,902 |
| Gross margin | 9,525,998 | 9,352,239 |
| Expenses | | |
| Salaries and benefits | 5,701,043 | 6,000,076 |
| Office and general | 1,848,686 | 2,073,494 |
| | 7,549,729 | 8,073,570 |
| Income before the undernoted items | 1,976,269 | 1,278,669 |
| Gain (loss) on foreign exchange | 281,053 | (45,861) |
| Interest paid (notes 6 and 8) | (459,047) | (655,545) |
| Financing costs | (184,541) | (68,319) |
| Depreciation of property and equipment (note 4) | (153,550) | (201,985) |
| Amortization of intangibles (note 5) | (3,506) | - |
| Income before income taxes | 1,456,678 | 306,959 |
| Income taxes | | |
| Current (note 9) | 291,679 | 464,773 |
| Future (note 9) | 41,179 | (550,872) |
| | 332,858 | (86,099) |
| Net income | 1,123,820 | 393,058 |
| Adjustment to retained earnings for sale of subsidiary | 3,216,206 | - |
| Deficit, beginning of year | (12,287,926) | (12,680,984) |
| Deficit, end of year | $ (7,947,900) | $ (12,287,926) |

See accompanying notes.

# BRAINHUNTER SYSTEM LTD.

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED MARCH 31, 2019

| | 2019 | 2018 |
|---|---|---|
| Cash flows from (used in) operating activities | | |
| Net income | $ 1,123,820 | $ 393,058 |
| Adjustments for: | | |
| Future income tax recoverable | 41,179 | (550,872) |
| Depreciation of property and equipment (note 4) | 153,550 | 201,985 |
| Amortization of intangibles (note 5) | 3,506 | - |
| Accrued interest on loans from related parties | (4,176) | 101,414 |
| Accrued interest on bank indebtedness | - | 36,860 |
| | 1,317,879 | 182,445 |
| Changes in non-cash working capital | | |
| Decrease (increase) in accounts receivable | 1,382,962 | 217,362 |
| Decrease (increase) in prepaid expenses | 428,744 | (156,935) |
| Decrease (increase) in deposits | 14,127 | (1,154) |
| Increase (decrease) in accounts payable and accruals | (619,854) | (45,682) |
| Increase (decrease) in income taxes payable | 33,427 | 264,956 |
| Increase (decrease) in deferred revenue | (91,376) | (11,033) |
| | 2,465,909 | 449,959 |
| Cash flows from (used in) investing activities | | |
| Purchase of property and equipment | (587,970) | (96,570) |
| Deposits with government authorities | (295,322) | (347,391) |
| Investment in MFX Holdings | (9,510) | - |
| Intangibles | (126,200) | - |
| Adjustment to retained earnings for sale of subsidiary | 3,216,206 | - |
| | 2,197,204 | (443,961) |
| Cash flows from (used in) financing activities | | |
| Loans from (to) related parties | (4,119,430) | 294,961 |
| Bank indebtedness | (609,363) | (77,200) |
| | (4,728,793) | 217,761 |
| Increase (decrease) in cash and cash equivalents | (65,680) | 223,759 |
| Cash and cash equivalents, beginning of year | 1,099,637 | 875,878 |
| Cash and cash equivalents, end of year | $ 1,033,957 | $ 1,099,637 |
| Supplemental cash flow information | | |
| Interest paid on bank indebtedness | $ 459,047 | $ 517,271 |
| Income taxes paid | $ 291,679 | $ 199,731 |

See accompanying notes.

# BRAINHUNTER SYSTEM LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## MARCH 31, 2019

### 1. Nature of operations:

The operations of Brainhunter system Ltd. (the "Company") primarily consists of staffing and consulting services in the information technology and engineering sectors. The Company was incorporated on October 2, 2009 under the Ontario Business Corporations Act.

Pursuant to a share purchase agreement dated September 17, 2014, Quess Corp Limited ("Quess" or the "Parent"), acquired 7,000,100 common shares of Zylog Systems (Canada) Ltd., representing all the issued and outstanding shares. Subsequent to the acquisition described above, the Company changed its legal name to Brainhunter Systems Ltd.

### 2. Significant accounting policies:

#### a. Management plans for economic dependence:

In view of the continued support from Quess (the ultimate holding company), the management considers that it is appropriate to prepare these financial statements on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The management has prepared future projections supported by business plans and contracted agreements supporting its sales. Further the Company has been generating positive operating cashflows in the current year and previous year. The Company also has been regular in its payment of bank debt and related party debt. As a result, these consolidated financial statements have been prepared on the basis that the Company will continue to be a going concern and has therefore continued to apply the going concern basis of accounting to the consolidated financial statements.

#### b. Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"), and are presented in Canadian dollars, which is the Company's functional currency. The consolidated financial statements include all the accounts of the Company and its wholly owned subsidiaries, Mindwire Systems Ltd. and Brainhunter Companies LLC. Brainhunter Companies LLC was sold on January 24, 2019 so it ceased to be included with the consolidated financial statements subsequent to that date. All intercompany transactions and balances have been eliminated upon consolidation.

## 2. Significant accounting policies (continued):

### c. Property and equipment:

Property and equipment are recorded at cost. Amortization is provided annually on a straight-line basis over their estimated useful lives using the following annual rates:

| | |
|---|---|
| Computer equipment | 30% |
| Office furniture and fixtures | 20% |
| Computer software | 100% |
| Leasehold improvements | Term of lease |

### d. Revenue recognition:

Revenue is generated from information technology and engineering staffing and consulting services.

Revenue from staffing services includes temporary and permanent placement fees. Revenue from temporary placement fees are recognized once the services have been rendered, collection is reasonably assured, and all significant obligations have been fulfilled. Revenue from permanent placement fees are based on a percentage of annual salaries and are recognized once the employees have been placed, collection is reasonably assured, and all significant obligations have been fulfilled.

The Company enters into contracts with customers to complete software consulting projects. Customer billings are prepared monthly based on hours worked and agreed rates, at which time revenue is recognized. To a significantly lesser degree, certain other contracts are fixed price, for which revenue is recorded monthly using the percentage-of-completion basis, whereby revenue is recorded at the estimated net realizable value of the work completed to date.

The Company earns revenue from software licenses for in-house developed software that is deferred and recognized over the term of the license. Software customization revenue is recognized in the year the customization is completed.

**2. Significant accounting policies (continued):**

**e. Deferred financing costs:**

Financing costs relating to the long-term debt and bank indebtedness are deferred and amortized using the effective interest method over the expected term of the corresponding loans. As the loans are repaid, the corresponding financial costs are charged to net income. Deferred financing costs are presented under bank indebtedness and long-term debt in the consolidated balance sheet and the related amortization under financing costs in the consolidated statement of operations and deficit.

**f. Income taxes:**

The Company accounts for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined by reference to the temporary differences between carrying values and the tax basis of assets and liabilities. The future income tax assets or liabilities are measured using the income tax rates and laws that are anticipated to apply when these differences are expected to be recovered or settled. Future income tax assets are recognized to the extent that realization of such benefits are considered more likely than not. The effect on future income tax assets and liabilities of a change in income tax rates is recognized into net income in the year that includes the enactment date.

g**. Use of estimates**:

The preparation of consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

(i) Allowance for doubtful accounts:

The Company makes a provision to allow for potentially uncollectible amounts owed from customers. The allowance is reviewed by management periodically based on an analysis of the age of the outstanding accounts receivable. At March 31, 2019, an allowance of $57,630 (2018 - $57,630) has been included in the consolidated balance sheet.

**2. Significant accounting policies (continued):**

(ii) Accrued liabilities:

Accrued liabilities, including those pertaining to commissions, bonuses and professional fees are established by management based on their best estimate of the actual obligation. Management believes that the estimates used in establishing these accrued liabilities are accurate.

(iii) Impairment of assets:

Property and equipment, goodwill and intangible assets are tested for impairment for each business unit should an event or circumstance indicate that their fair value has fallen below their carrying value. Should any negative variances occur in the comparison, an impairment representing the excess is made to the goodwill and then to intangible assets.

(iv) Income taxes:

The Company estimates its Canadian federal income taxes based on interpretation of tax rules and regulations. The Company is also subject to audits from the Canada Revenue Agency and the outcome of such audits may differ from original estimates. Management believes that a sufficient amount has been accrued for income taxes.

**h. Foreign currency translation:**

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the consolidated balance sheet date. Property and equipment and related amortization are translated at rates prevailing at the dates of acquisition. Revenue and expenses, other than amortization, are translated at the average rate of exchange in effect during the month that the transaction occurred. All exchange gains and losses are recognized in the current year's net income.

**2. Significant accounting policies (continued):**

**i. Intangible assets and goodwill:**

The Company classifies intangible assets, obtained through acquisitions or developed internally, as definite-lived and indefinite-lived intangible assets, as well as goodwill. Definite-lived intangibles are amortized on a straight-line basis over the asset's useful life while indefinite-lived intangibles and goodwill are not amortized but are tested for impairment annually, or more frequently, if events or circumstances indicate that they might be impaired. The impairment test consists of allocating indefinite-lived intangibles and goodwill to reporting units and then comparing the book value of the reporting units, including indefinite-lived intangibles and goodwill, to their fair values. The Company determines fair value by using discounted future cash flows for reporting units. The excess of carrying value over fair value, if any, is recorded as an impairment charge to the consolidated statement of operations and deficit in the year in which the impairment is determined. Subsequent reversals of impairment are prohibited.

**j. Cash and cash equivalents:**

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months from the date of acquisition.

**k. Related party transections:**

Monetary-related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

### 3. Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months from the date of acquisition.

| | 2019 | 2018 |
|---|---|---|
| Cash | $ 1,033,957 | $ 1,054,637 |
| Term deposits (bearing interest at 0.45% per annum) | - | 45,000 |
| | $ 1,033,957 | $ 1,099,637 |

At year end, the carrying value of cash and cash equivalents approximated fair market value due to the short-term nature of the investments.

### 4. Property and equipment

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Computer equipment | $ 1,154,620 | $ 1,109,597 | $ 45,023 | $ 85,661 |
| Office furniture and fixtures | 470,674 | 353,169 | 117,505 | 85,952 |
| Computer software | 204,587 | 204,587 | - | - |
| Leasehold improvements | 1,256,822 | 467,482 | 789,340 | 345,835 |
| | $ 3,086,703 | $ 2,134,835 | $ 951,868 | $ 517,448 |

The amortization of property and equipment totaled $154,781 in 2019 (2018 - $201,985).

### 5. Intangibles

.

| | 2019 | 2018 |
|---|---|---|
| Cost | $ 126,200 | $ - |
| Accumulated amortization | (3,506) | - |
| | $ 122,694 | $ - |

During the year $126,200 was capitalized as intangibles, which is a mobile enabled Enterprise Collaboration App which will seamlessly connect with the Company's ecosystem consisting of employees, clients, consultants, vendors, and job seekers.

Management has estimated a useful life of 3 years and is amortizing it over that term accordingly.

## 6. Bank indebtedness

| | 2019 | 2018 |
|---|---|---|
| ICICI Bank of Canada working capital credit facility bearing interest at the Canadian Dealer Offered Rate ("CDOR") plus 3.00 % (2018 - 3.00 %) | $ 8,030,970 | $ 7,970,472 |
| ICICI Bank of Canada term loan, bearing interest at CDOR plus 3.75 % (2018 - 3.75 %) | 1,369,000 | 2,038,860 |
| | 9,399,970 | 10,009,332 |
| Less current portion | 8,430,970 | 9,302,472 |
| | $ 969,000 | $ 706,860 |

On October 15, 2015, the Company completed the refinancing of its prior credit facility with ICICI Bank of Canada and signed an amendment to its working capital credit facility agreement. The outstanding bank indebtedness was refinanced to include the following two facilities: (a) a $4,000,000 term loan facility and (b) a $6,700,000 working capital facility. Interest on the term loan facility was payable quarterly at a rate of 2.50% plus CDOR per annum, increasing by 0.25% per annum commencing six months from the date of the refinancing and, thereafter, at the beginning of each subsequent three-month period. Quarterly principal repayments on the term loan facility of $333,000 commenced on December 1, 2016. Interest on the working capital facility was payable monthly at a rate of 2.25% plus CDOR per annum, increasing by 0.25% per annum commencing six months from the date of the refinancing and, thereafter, at the beginning of each subsequent three-month period. The working capital facility must be repaid 12 months after the date of the refinancing unless extended by ICICI Bank of Canada.

On November 10, 2016, the Company amended its existing facility with ICICI Bank of Canada. As part of the amendment, the term for the working capital facility was extended to January 31, 2017. Under the amendment, interest on the working capital facility is payable monthly at a rate of 2.25% plus CDOR per annum and interest on the term loan is payable quarterly at a rate of 2.5% plus CDOR per annum.

On May 30, 2017, the Company amended its existing facility with ICICI Bank of Canada. As part of the amendment, the term for the working capital facility was extended from January 31, 2017 to January 31, 2018.

On July 25, 2017, the Company amended its existing facility with ICICI Bank of Canada. As part of the amendment, working capital facility limit was increased to $8,800,000. Under the amendment, interest on the working capital facility is payable monthly at a rate of 3.00% plus CDOR per annum and interest on the term loan is payable quarterly at a rate of 3.75% plus CDOR per annum.

On January 31, 2018, the Company amended its existing facility with ICICI Bank of Canada. As part of the amendment, the term for the working capital facility was extended from January 31, 2018 to July 31, 2018.

**6. Bank indebtedness (Continued):**

On April 30, 2018, the Company signed a 'Temporary Waiver and Consent' (the "Waiver") with ICICI Bank of Canada. ICICI Bank of Canada agreed to temporarily relax the Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to net financial charges ratio from greater than or equal to 3 to 1, to greater than or equal to 1.5 to 1 for the period from April 1, 2017 to September 30, 2018. Long-term debt to EBITDA ratio which should not exceed 2.5:1 remains unchanged and is not impacted by the Waiver. Following receipt of the Waiver, the Company was in compliance with all financial covenants as at March 31, 2018. The Waiver shall expire on December 31, 2018.

On August 25, 2018 there was an amendment to the agreement of Facility A (Term Loan) to extend the termination date to September 1, 2021. There was also an amendment in the repayment schedule requiring the company to pay $100,000 at quarterly intervals starting September 1, 2018.

There have been no events of default under the ICICI Bank of Canada term loan and working capital facilities agreement as at March 31, 2019. Quess Corp Limited and Quess Corp (USA) Inc. are parent guarantors to the ICICI Bank of Canada arrangement.

During the year ended March 31, 2019, the Company recognized $431,861 (2018 - $554,131) in interest expense on the facilities.

**7. Accounts payable and accrued liabilities:**

| | 2019 | 2018 |
|---|---|---|
| Trade and accrued liabilities | $ 6,192,956 | $ 6,415,450 |
| Salaries and commissions payable | 205,884 | 603,144 |
| | $ 6,398,840 | $ 7,018,594 |

Included in accounts payable and accrued liabilities as at March 31, 2019 are government remittances payable (recoverable) of $10,744 (2018 - $55,046) relating to federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance.

## 8. Due from (to) related parties:

| Due (to) from related parties | 2019 | 2018 |
|---|---|---|
| The following balances are due on demand: | | |
| Fairfax Financial Holdings Ltd. - bearing interest at 3% per annum (2018 - 3%) | $ (1,076,591) | $ (1,049,591) |
| Quess Corp (US) Inc. bearing interest at NIL % per annum (2018 - 2.42 % and 7.54 %) | (66,105) | (2,752,297) |
| MFXchange US Inc, bearing interest at Nil % per annum (2018 - Nil %) | (1,147,593) | (663,139) |
| Qeuss Corp Ltd (India) | 65,341 | 54,263 |
| MFXchange US Inc | 4,648,043 | - |
| | $ 2,423,095 | $ (4,410,764) |

The balances payable to FairFax Financial Holdings Ltd. of $1,076,591 (2018 - $1,049,591), MFX of $1,147,593 (2018 - $663,139) and Quess Corp (US) Inc. of $66,105 (2018 -$2,752,297) represent funds received to support the Company's operating activities. The amounts receivable from Quess Corp Ltd (India) in the amount of $65,341 (2018 - $54,263), represent debit notes issued for the expenses incurred on behalf of Quess Corp Ltd (India). All of the related party balances are recorded at their carrying amounts.

During the year ended March 31, 2019, the Company recognized $27,186 (2018 - $101,414) in interest expense on the amounts due to related parties.

Accounts receivable include an amount due from MFXchange Holdings Inc of $102,088 and from Quess Corp. USA of $91,589. Accounts payables include an amount due to MFXchange US Inc for $322,737. In addition, during the year ended March 31, 2019, the company earned revenue of $469,592 from MFXchange US Inc. and $82,840 from MFXchange Holdings Canada.

## 9. Income taxes:

The Company pays income taxes at a statutory rate of 26.5% (2018 - 26.5%). The difference between the Company's reported income tax expense on operating income and the expense that would otherwise result with the application of the applicable rate is as follows:

| | 2019 | 2018 |
|---|---|---|
| Income before income taxes | $ 1,456,678 | $ 306,959 |
| Rate | 26.5% | 26.5% |
| Expected provision for (recovery of) income taxes | 386,020 | 81,344 |
| Increase (decrease) in income taxes resulting from: | | |
| Permanent difference | 12,372 | 10,132 |
| Impact of US tax rate change on deferred tax assets | - | 325,533 |
| Change in valuation allowance | (631,287) | (726,421) |
| Book-to-return differences | (3,010,336) | 199,731 |
| Foreign subsidiary | 764,278 | (27,247) |
| Other | 2,811,811 | 50,829 |
| Income tax expense | $ 332,858 | $ (86,099) |

As at March 31, 2019, the Company has $ ,921,423 of future tax assets before any valuation allowance. As at March 31, 2019, the Company recognized a future tax asset of $509,693 related to one of its subsidiaries, as it was determined to be more likely than not to recognize these future tax assets. The remaining balance of $ ,411,730 of future tax assets has not been recognized as the future realization of these income tax assets did not meet the test of being more likely than not to occur. A summary of the future tax assets at March 31, 2019 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Future income tax assets (liabilities): | | |
| Non-capital losses | $ 1,392,113 | $ 2,000,031 |
| Property and Equipment | 462,944 | 514,599 |
| Sub-lease inducement | 43,881 | 49,668 |
| Other temporary differences | 22,485 | 29,591 |
| | 1,921,423 | 2,593,889 |
| Less: valuation allowance | 1,411,730 | 2,043,017 |
| Net future income tax assets | $ 509,693 | $ 550,872 |

## 9. Income taxes (Continued):

As at March 31, 2019, the Company has non-capital losses which can be used to reduce taxable income of future years. The potential tax benefit of these losses has not been recorded in consolidated financial statements. These losses are set to expire as follows:

| | |
|---|---|
| Canada | |
| 2034 | $ 964,489 |
| 2035 | 486,996 |
| 2036 | 2,619,897 |
| 2037 | 1,146,245 |
| 2038 | 403,531 |
| 2039 | 800,000 |
| | $ 6,421,158 |

## 10. Capital stock:

| | 2019 | 2018 |
|---|---|---|
| Authorized | | |
| Unlimited common shares | | |
| Issued: | | |
| 36,842,631 (2018 - 14,300,100) common shares | $ 7,224,655 | $ 4,514,502 |

The increase in capital stock during the year was the result of converting debt to common shares.

## 11. Commitments:

The Company has entered into leases for office space. As at March 31, 2019, the Company has contractual obligations for basic rent payments as follows:

| | |
|---|---|
| 2020 - 2022 | $ 626,324 |
| 2023 and thereafter | $ 1,894,390 |

**12. Financial risks and concentration of risk:**

Financial instruments are initially recorded at fair value. Financial instruments that are short-term investments are written down when their carrying amounts exceed their quoted market values. All other financial instrument assets are written down when their carrying amounts exceed their estimated market values and this condition is expected to be other than temporary.

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, due to related parties, accounts payable and accrued liabilities and bank indebtedness. The fair values of cash and cash equivalents, accounts receivable, due to related parties, accounts payable and accrued liabilities approximate their recorded amounts due to the short-term receipt or payment of cash or determinable cash flow streams. The carrying value of the bank indebtedness approximates fair value because the interest rates approximate market rates.

**a. Credit risk:**

The Company grants credit to its customers in the normal course of business. The consolidated financial statements take into account an allowance for bad debts. The Company is exposed to credit risk from their customers but the concentration of the risk is minimized because of the large customer base. There has been no change to the risk exposure from fiscal 2018.

**b. Interest rate risk:**

The Company is financed through bank debt which bears interest at rates tied to the Canadian bankers' acceptance rates. Consequently, the Company is exposed to the risk of increases in the bankers' acceptance rates. There has been no change to the risk exposure from fiscal 2018.

**12. Financial risks and concentration of risk (Continued):**

**c. Foreign exchange risk:**

The Company carries out some transactions in U.S. dollars and, as such, is exposed to fluctuations in exchange rates. Approximately 7% of the Company's sales and purchases are in U.S. dollars (2018 - 6%). The Company has not entered into derivative instruments to mitigate these risks. During the year ended March 31, 2019, the Company recorded a foreign exchange gain of $(281,053) (2018 - $45,861). There has been no change to the risk exposure from fiscal 2018.

**d. Liquidity risk:**

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk mainly with respect to its bank indebtedness. Refer to note 1 on the Company's economic dependence on Quess. There has been no change to the risk exposure from fiscal 2018

**13. Contingencies:**

On November 10, 2016, the Company received a Notice of Assessment from the Canada Revenue Agency ("CRA") regarding its disagreement with amounts deducted by the Company within its October 22, 2014 income tax return of one of its subsidiaries. The Notice of Assessment, which includes imposed penalties, is for approximately $386,000, including interest. In the opinion of management, this assessment was without substantial merit and the Company filed a notice of objection in relation to the assessment. No provision was recorded as at March 31, 2019 (2018 - nil). As required by the CRA upon filing the notice of objection, the Company made certain prepayments to the CRA totaling $385,948 which was recorded in prepaid expenses in the consolidated balance sheet at March 31, 2018. On April 17, 2018, the Company was notified by the CRA that the notice of objection has been reviewed and the appeals division proposed to allow the Company's objection to the penalty provision in full. As a result, the amount remitted was refunded this year.

On December 13, 2016, the Company received a Notice of Assessment from the Ontario Ministry of Finance regarding an employer health tax audit related to calendar years 2012 to 2015. The amount in the Notice of Assessment is $576,118. In the opinion of management, this assessment is without substantial merit and the Company filed a Notice of Objection on June 7, 2017. Subsequent to filing the Notice of Objection, the Company entered into a compliance arrangement with the Ontario Ministry of Finance. Under this compliance agreement, the Company has agreed to remit the amount owing over an 18-month period while the objection is being reviewed. The last instalment was paid in the quarter ending December, 2018. As at March 31, 2019, the Company has remitted payments totaling $642,713 (2018 - $347,391), which has been recorded as a deposit with government authorities on the consolidated balance sheet. The Company believes on the likelihood of success on the appeal on a "more likely than not" basis and therefore no provision has been recorded at March 31, 2019.

# COMTEL SOLUTIONS PTE LTD

# (Co. Reg. No.: 199801439D)

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Joe Tan & Associates PAC
Chartered Accountants

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COMTEL SOLUTIONS PTE LTD
(Co. Reg. No.: 199801439D)

DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

CONTENTS

**DIRECTORS' STATEMENT**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

The directors are pleased to present their statement to the members together with the audited financial statements of Comtel Solutions Pte Ltd (the "Company") for the financial year ended 31 March 2019.

## 1. OPINION OF THE DIRECTORS

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; and

(b) at the date of the statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Arora Vivek (Appointed on 24 October 2018)
Subrata Kumar Nag
Ajit Abraham Isaac

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial period was a company a party to any arrangement of which the object was to enable the directors of the Company to acquire benefits through the acquisition of share in, or debentures of, the Company or any other body corporate.

## 4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the company holding office at the end of the financial year had no interest of the share capital or debentures of the company or of related corporations either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Cap. 50, except as follows:

| Name of directors and companies In which interest are held | Shareholdings in the name of directors | |
|---|---|---|
| | As at 31.03.2019 | As at 31.03.2018 |
| | (No. of ordinary shares) | |
| The Ultimate Holding Company – Quess Corp. Limited. | | |
| Ajit Abraham Isaac | 17,654,674 | 17,585,960 |

## 5. SHARES OPTIONS

There were no options granted by the Company during the financial year.

There were no shares issued during the financial year by virtue of any exercise of option to take up unissued shares of the Company.

There were no unissued shares of the Company under shares option as at the end of the financial year.

## 6. INDEPENDENT AUDITOR

The auditor, **Joe Tan & Associates PAC**, Public Accountants and Chartered Accountants, has expressed its willingness to accept the appointment as Auditor.

On behalf of the Board of Directors,

......................................
**Arora Vivek**
Director

Subrata Kumar Nag
......................................
**Subrata Kumar Nag**
Director

Singapore

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

COMTEL SOLUTIONS PTE LTD

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Comtel Solutions Pte Ltd (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of matter*

As detailed in note A to Note 6 (Trade and Other Receivables) to the accounts, an amount of US$500,000 (approx. S$675,000) was wrongful transferred to an unknown third party in Hong Kong arising from a purportedly email claimed to be from the Company's ultimate holding company which was discovered to be ingenuine. The Company is confident of recovering the above sum based on the advice from its solicitor in Hong Kong that the Hong Kong Police Force has informed the Company's solicitor the fund in question had been frozen at the moment. Hence, no impairment for possible loss was made in the Company's accounts. Our opinion is not modified in respect of this matter.

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement [set out on pages 1 to 2].



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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement [set out on pages 1 to 2].

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The directors' responsibilities include overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements.*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. 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.



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As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Joe Tan & Associates PAC

**JOE TAN & ASSOCIATES PAC**
Public Accountants and
Chartered Accountants

Singapore

21 MAY 2019



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COMTEL SOLUTIONS PTE LTD
(Co. Reg. No.: 199801439D)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Investment in subsidiary | 4 | 1 | 1 |
| Plant and equipment | 5 | 18,358 | - |
| **Total non-current assets** | | 18,359 | 1 |
| **Current assets:** | | | |
| Trade and other receivables | 6 | 13,059,316 | 21,934,900 |
| Contract assets | 7 | 8,027,761 | - |
| Cash and cash equivalents | 8 | 10,401,786 | 8,516,368 |
| **Total current assets** | | 31,488,863 | 30,451,268 |
| **TOTAL ASSETS** | | 31,507,222 | 30,451,269 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity:** | | | |
| Share capital | 9 | 500,000 | 500,000 |
| Retained earnings | | 21,750,117 | 21,235,038 |
| **Equity attributable to owners of the company** | | 22,250,117 | 21,735,038 |
| **Current liabilities:** | | | |
| Trade and other payables | 10 | 7,733,099 | 7,464,024 |
| Contract liabilities | 7 | 405,478 | - |
| Income tax payable | | 1,118,528 | 1,252,207 |
| **Total current liabilities** | | 9,257,105 | 8,716,231 |
| **TOTAL EQUITY AND LIABILITIES** | | 31,507,222 | 30,451,269 |

The accompanying notes form an integral part of these financial statements.

COMTEL SOLUTIONS PTE LTD
(Co. Reg. No.: 199801439D)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>S$ | 2018<br>S$ |
|---|---|---|---|
| **Revenue** | 11 | 91,431,412 | 89,625,954 |
| Cost of services | | (80,561,971) | (79,884,919) |
| **Gross Profit** | | 10,869,441 | 9,741,035 |
| Other income | 12 | 394,485 | 336,613 |
| Other loss | | (87,499) | - |
| Administrative expenses | | (4,684,351) | (3,019,009) |
| **Profit before income tax** | 14 | 6,492,076 | 7,058,639 |
| Income tax expense | 15 | (976,997) | (1,168,853) |
| **Profit after income tax, representing total comprehensive income for the year** | | 5,515,079 | 5,889,786 |

The accompanying notes form an integral part of these financial statements.

COMTEL SOLUTIONS PTE LTD
(Co. Reg. No.: 199801439D)

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | Share capital S$ | Retained earnings S$ | Total S$ |
|---|---|---|---|---|
| Balance at 1 April 2017 | | 500,000 | 15,345,252 | 15,845,252 |
| Profit for the year, representing total comprehensive income for the year | | - | 5,889,786 | 5,889,786 |
| **Balance at 31 March 2018** | | 500,000 | 21,235,038 | 21,735,038 |
| Balance at 1 April 2018 | | 500,000 | 21,235,038 | 21,735,038 |
| Profit for the year, representing total comprehensive income for the year | | - | 5,515,079 | 5,515,079 |
| Dividend paid | 16 | - | (5,000,000) | (5,000,000) |
| **Balance at 31 March 2019** | | 500,000 | 21,750,117 | 22,250,117 |

COMTEL SOLUTIONS PTE LTD
(Co. Reg. No.: 199801439D)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 6,492,076 | 7,058,639 |
| *Adjustments for:* | | | |
| Impairment loss on trade receivables | 6 | 87,499 | - |
| Depreciation of plant and equipment | 5 | 1,894 | 38,570 |
| | | 6,581,469 | 7,097,209 |
| *Changes in working capital:* | | | |
| Decrease/(Increase) in trade and other receivables | | 8,788,085 | (4,142,191) |
| Decrease in trade and other payables | | (592,016) | (264,615) |
| Increase in contract assets | | (8,027,761) | - |
| Increase in contract liabilities | | 405,478 | - |
| **Cash generated from from operations** | | 7,155,255 | 2,690,403 |
| Income tax paid | | (1,110,676) | (1,487,078) |
| **Net cash generated from from operating acivities** | | 6,044,579 | 1,203,325 |
| **Cash flows from investing activity** | | | |
| Purchase of plant and equipment | 5 | (20,252) | (38,570) |
| **Net cash used in investing activity** | | (20,252) | (38,570) |
| **Cash flows from financing activities** | | | |
| Repayment of amount due to director | A | - | (302,736) |
| Proceeds from amount due to ultimate holding company | A | 538,819 | - |
| Proceeds from/(Repayment of) amount due to immediate holding company | A | 127,044 | (26,918) |
| Proceeds from amount due to related company | A | 195,228 | - |
| Dividend paid | 16 | (5,000,000) | - |
| **Net cash used in financing activities** | | (4,138,909) | (329,654) |
| **Net increase in cash and cash equivalents** | | 1,885,418 | 835,101 |
| **Cash and cash equivalents at the beginning of year** | | 8,516,368 | 7,681,267 |
| **Cash and cash equivalents at the end of year** | 8 | 10,401,786 | 8,516,368 |

**Note A: Reconciliation of liabilities arising from financing activities**

The table below details changes in the Company's liabilities arising from financing activities.

| | 1.4.2018 S$ | Financing Cash Flows S$ | 31.3.2019 S$ |
|---|---|---|---|
| Amount due to ultimate holding company | 1 | 538,819 | 538,820 |
| Amount due to immediate holding company | - | 127,044 | 127,044 |
| Amount due to related company | - | 195,228 | 195,228 |

| | 1.4.2017 S$ | Financing Cash Flows S$ | 31.3.2018 S$ |
|---|---|---|---|
| Amount due to director | 302,737 | (302,736) | 1 |
| Amount due to immediate holding company | 26,918 | (26,918) | - |

## 1. GENERAL

The Company is a private company limited by shares and is incorporated and domiciled in the Republic of Singapore.

The Company's immediate holding company is Quesscorp Holdings Pte. Ltd., incorporated in Singapore.

The Company's ultimate holding company is Quesscorp Holdings Limited, incorporated in India.

The registered office and principal place of business of the Company is located at 10 Hoe Chiang Road #15-02, Keppel Towers, Singapore 089315.

The principal activities of the Company are those of providing general (non IT) staffing services. There are no significant changes in the nature of these activities during the financial period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PREPARATION**
The financial statements are prepared in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (S$), which is the Company's functional currency.

**ADOPTION OF NEW AND REVISED STANDARDS**
The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 January 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39.

However, the adoption of FRS 109 has no significant effects on the Company's accounts at the beginning of the year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND REVISED STANDARDS - continued

FRS 109 *Financial Instruments - continued*

**Classification and measurement**

Under FRS 109, debt instruments are subsequently measured either at fair value through profit or loss (FVPL), amortised cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under FRS 39. The following are the changes in the classification and measurement of the Company's financial assets:

(a) Trade and other receivables are classified as loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 1 April 2018.

The Company has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of FRS 109, the Company had the following required or elected reclassifications as at 1 April 2018:

| | FRS 39 measurement category<br>Loans and receivables<br>S$ | FRS 109 measurement category<br>Amortised cost<br>S$ |
|---|---|---|
| Trade and other receivables | 13,586,592 | 13,586,592 |

**Impairment**

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. FRS 109 requires the Company to recognise an allowance for ECLs for all debt instruments not held at FVPL.

However, the adoption of FRS 109 has no significant effects on the allowance for ECLs at the beginning of the year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND REVISED STANDARDS - continued

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 April 2018.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and related interpretations.

The effect of adopting FRS 115 as at 1 April 2018 was as follows:

| | Increase / (Decrease) |
|---|---|
| **Assets** | S$ |
| Unbilled revenue | (7,971,864) |
| Contract assets | 7,971,864 |
| | - |
| **Liabilities** | |
| Deferred revenue | (913,706) |
| Contract liabilities | 913,706 |
| | - |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND REVISED STANDARDS - continued

The following shows the amount by which each financial statement line item is affected for the year ended 31 March 2019 as a result of the adoption of FRS 115. The adoption of FRS 115 did not have a material impact on profit or loss, other comprehensive income or the Company's operating, investing and financing cash flows. The third column shows amounts prepared under FRS 115 and the first column shows what the amounts would have been had FRS 115 not been adopted:

**Statement of financial position**

| | 31.3.2019 (FRS18) S$ | FRS115 Adjustments S$ | 31.3.2019 (FRS115) S$ |
|---|---|---|---|
| **Assets** | | | |
| Unbilled revenue | 8,027,761 | (8,027,761) | - |
| Contract assets | - | 8,027,761 | 8,027,761 |
| | 8,027,761 | - | 8,027,761 |
| **Liabilities** | | | |
| Deferred revenue | 405,478 | (405,478) | - |
| Contract liabilities | - | 405,478 | 405,478 |
| | 405,478 | - | 405,478 |

### STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. The Company does not plan to early adopt these standards.

| Reference | Description | Effective for annual periods beginning on or after |
|---|---|---|
| FRS 116 | Leases | 1 Jan 2019 |
| INT FRS 123 | Uncertainty over Income Tax Treatments | 1 Jan 2019 |
| Amendments to :- | FRS 28 - Investments in Associates (Long term interests in associates and joint venture) | 1 Jan 2019 |
| | FRS 19 - Employee benefits (Plan amendments curtailment or settlement) | 1 Jan 2019 |
| | FRS 109 - Financial Instruments (Prepayment features with negative compensation | 1 Jan 2019 |
| Annual improvement 2018 to :- | FRS 103 - Business combination (Previously held interest in a joint operation) | 1 Jan 2019 |
| | FRS 111 - Joint arrangement (Previously held interest in a joint operation) | 1 Jan 2019 |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### STANDARDS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

| | | |
|---|---|---|
| | FRS 112 - Income taxes (Income tax consequences of payments on financial instruments classified as equity) | 1 Jan 2019 |
| | FRS 23 - Borrowing costs (Borrowing costs eligible for capitalisation) | 1 Jan 2019 |
| Amendments to :- | FRS 103 - Business Combinations (Definition of a business) | 1 Jan 2020 |
| FRS 117 | Insurance contracts | 1 Jan 2021 |
| FRS 110 & FRS 28 | FRS 110 -Consolidated financial statement and FRS 28 - Investment in associates and joint venture (Sale or contribution of assets between an investor and its associate or joint venture) | To be determined |

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 is described below.

<u>FRS 116 Leases</u>

FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the initial application of the new FRS 116 will likely result in changes to the accounting policies relating to the Company's leases. Management does not intend to early adopt FRS 116, which is effective from financial year beginning 1 January 2019 and will perform a detailed assessment of the possible impact of implementing FRS 116 before its implementation date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### FINANCIAL INSTRUMENTS

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

(a) Financial assets

*Initial recognition and measurement*

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

*Subsequent measurement - Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

*Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**FINANCIAL INSTRUMENTS - continued**

(b) Financial liabilities - continued

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

*Subsequent measurement*

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

The accounting for financial assets before 1 January 2018 under FRS 39 are as follows:

(a) Financial assets

*Initial recognition and measurement*

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

*Subsequent measurement- Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise the trade and other receivables, and cash and cash equivalents.
Cash and cash equivalents comprise cash at banks and on hand.

*De-recognition*

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### FINANCIAL INSTRUMENTS - continued

(b) Financial liabilities

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

*De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### IMPAIRMENT OF FINANCIAL ASSETS

These accounting policies are applied on and after the initial application date of FRS 109, 1 April 2018:

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### IMPAIRMENT OF FINANCIAL ASSETS – CONTINUED

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

These accounting policies are applied before the initial application date of FRS 109, 1 April 2018:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### CONTRACT ASSETS, CONTRACT LIABILITIES AND TRADE RECEIVABLES

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Section Financial instruments – initial recognition and subsequent measurement.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

### PLANT AND EQUIPMENT

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is calculated using straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | | Useful lives |
|---|---|---|
| Office equipment | - | 3 years |
| Computer | - | 1 year |
| Renovation | - | 1 year |

The carrying value of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal of when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### INVESTMENT IN SUBSIDIARY

The investment in subsidiary is carried at cost less any accumulated allowance for impairment. On disposal of investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### CONSOLIDATION

The company did not consolidate the accounts of its subsidiary due to the exemption under FRS110 Consolidated Financial Statements as follows:

a) it is wholly owned subsidiary of another entity;
b) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the counter market, including local and regional markets);
c) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
d) its ultimate parent produces consolidated financial statements that are available for public use.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### PROVISIONS

**General**
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax that reflected, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### EMPLOYEE BENEFITS

**a) Defined contribution plans**

The Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**b) Employee leave entitlements**

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The undiscounted liability for leave expected to be settled wholly within twelve months from the reporting date is recognised for annual leave as a result of services rendered by employees up to the end of the reporting period. The Company allows employee leave entitlements to carry forward for a maximum period of twelve months.

**c) Key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors are considered key management personnel.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### REVENUE RECOGNITION

These accounting policies are applied on and after the initial application date of FRS 115, 1 April 2018:

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

a) **Rendering of services**
Revenue from services are recognised when consultancy services are rendered and all criteria for acceptance have been satisfied.

b) **Government grants**
Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

These accounting policies are applied before the initial application date of FRS 115, 1 April 2018:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

a) **Rendering of services**
Revenue from services are recognised when consultancy services are rendered and all criteria for acceptance have been satisfied.

b) **Government grants**
Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

TAXES

**a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**c) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### RELATED PARTIES

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint venture of the same third party.
- (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii)The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### SHARE CAPITAL

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deduct against share capital.

### DIVIDENDS

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting when these dividends have been approved by the shareholders and declared, they are recognised as liability.

Interim dividends are simultaneously proposed and declared because the articles of association of the Company grant the directors the authority to declare interim dividends consequently interim dividends are recognised as a liability when they are proposed and declared.

### OPERATING LEASES AS LESSEE

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### OPERATING LEASES AS LESSEE – CONTINUED

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### OPERATING LEASES AS LESSOR

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognised in profit or loss.

## 3. ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could results in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### (a) Judgement made in applying accounting policies

(i) Determination of functional currency

In determining the functional currency of the Company, judgement is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the current that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### (b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Useful lives of plant and equipment

The useful life of an item of plant and equipment is estimated at the time the asset is acquired and is based on historical experience with similar assets and takes into account anticipated technological or other changes. If changes occur more rapidly than anticipated or the asset experiences unexpected level of wear and tear, the useful life will be adjusted accordingly. The carrying amount of the Company's plant and equipment as at 31 March 2019 was S$18,358 (2018: S$Nil).

3. ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS – CONTINUED

**(b) Key sources of estimation uncertainty – continued**

(ii) Impairment of plant and equipment

The plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The Company assesses impairment of these assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of these assets is estimated to determine the impairment loss. The Company evaluates the recoverable amount of these assets based on the net present value of future cash flows (value in use) derived from such assets using cash flow projections which have been discounted at an appropriate rate.

As at 31 March 2019, no allowance for impairment loss of the plant and equipment was made as the recoverable amount was in excess of the carrying amount.

(iii) Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 19.

The carrying amounts of the Company's trade receivables as at 31 March 2019 were S$11,562,274 (2018: S$13,194,479).

(iv) Provision for income taxes

The Company recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Company's income tax payable as at 31 March 2019 was S$1,118,528 (2018: S$1,252,207).

## 4. INVESTMENT IN SUBSIDIARY

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Unquoted investments | | |
| Equity shares, at cost | 1 | 1 |

The details of the subsidiary held by the Company are as follows:

| Name of subsidiary | Principal activities | Country of incorporation and place of business | Effective equity held by the Company | | Cost of investment | |
|---|---|---|---|---|---|---|
| | | | 2019 % | 2018 % | 2019 S$ | 2018 S$ |
| Comtelink Sdn. Bhd. * | Provide consultancy services | Malaysia | 100% | 100% | 1 | 1 |

* Audited by Selva & Associates Chartered Accountants (Malaysia).

## 5. PLANT AND EQUIPMENT

| | Office Equipment S$ | Computers and Software S$ | Renovation S$ | Total S$ |
|---|---|---|---|---|
| **Cost:** | | | | |
| As at 31.03.2017 | 888 | 120,001 | - | 120,889 |
| Additions | - | - | 38,570 | 38,570 |
| As at 31.03.2018 | 888 | 120,001 | 38,570 | 159,459 |
| Additions | 13,336 | 6,916 | - | 20,252 |
| As at 31.03.2019 | 14,224 | 126,917 | 38,570 | 179,711 |
| **Accumulated depreciation:** | | | | |
| As at 31.03.2017 | 888 | 120,001 | - | 120,889 |
| Depreciation | - | - | 38,570 | 38,570 |
| As at 31.03.2018 | 888 | 120,001 | 38,570 | 159,459 |
| Depreciation | 741 | 1,153 | - | 1,894 |
| As at 31.03.2019 | 1,629 | 121,154 | 38,570 | 161,353 |
| **Net carrying value:** | | | | |
| As at 31.03.2018 | - | - | - | - |
| As at 31.03.2019 | 12,595 | 5,763 | - | 18,358 |

## 6. TRADE AND OTHER RECEIVABLES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| **Trade receivables:** | | |
| - Fellow subsidiary | 322,004 | 147,192 |
| - Third parties | 11,240,270 | 13,047,287 |
| - Unbilled revenue | - | 7,971,864 |
| - *Less*: Allowance of expected credit loss | (87,499) | - |
| | 11,474,775 | 21,166,343 |
| **Other receivables:** | | |
| - Deposits | 56,959 | 76,959 |
| - Prepayments | 122,085 | 61,805 |
| - Advances to employees | 310,028 | 314,639 |
| - Amount due from related parties | 420,469 | 220,469 |
| - Government grant | - | 90,365 |
| - Other receivables (*Note A*) | 675,000 | 4,320 |
| | 13,059,316 | 21,934,900 |

*Note A*

In February 2019, the Company's management discovered that an amount of US$500,000(approx. S$675,000) was wrongfully transferred to an unknown third party in Hong Kong arising from a purportedly email claimed to be from the Company's ultimate holding company which was discovered to be ingenuine. No impairment is provided as the first information report had been lodged with the Hong Kong Police Force and Singapore Police Force and investigations are ongoing. A statement of claim and writ of summon were also filed against the defendants in Hong Kong to recover the said sum by lawyer to pursue the wrongful vigorously. The Company is confident of recovering the above sum based on the advice from its solicitor in Hong Kong that the Hong Kong Police Force has informed the Company's solicitor the fund in question had been frozen at the moment. Hence, no impairment for possible loss was made in the Company's accounts.

Trade receivables are unsecured, non-interest bearing and are generally settled on 30 to 90 (2018: 30 to 90) days term.

Unbilled revenue referred to services being rendered but not yet billed to customers.

The amount due from related parties and advances to employees are non-trade in nature, unsecured, interest free and have no fixed term of repayment.

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL was as follows:

| | US$ |
|---|---|
| Movement in allowance accounts: | |
| At 31 March 2018 under FRS 39 | - |
| Effect of adopting FRS 109 | - |
| | - |
| At 1 April 2018 under FRS 109 | |
| Allowance made | 87,499 |
| At 31 March 2019 | 87,499 |

## 7. CONTRACT ASSETS AND LIABILITIES

The contract assets primarily relate to the Company's right to consideration for work completed and not billed, as the rights are conditioned on the Company's future performance in satisfying the respective performance obligation at each reporting date. The contract liabilities primarily relate to our Company's obligation to render services to customers for which the Company has received consideration from the customer.

The following table show the contract assets and liabilities:

| Current: | 2019 S$ | 2018 S$ |
|---|---|---|
| Contract assets | 8,027,761 | - |
| Contract liabilities | (405,478) | - |

## 8. CASH AND CASH EQUIVALENTS

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Cash in hand | 1,209 | 399 |
| Cash at banks | 10,376,125 | 8,497,237 |
| Banker's guarantee | 24,452 | 18,732 |
| | 10,401,786 | 8,516,368 |

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Cash in hand | 1,209 | 399 |
| Cash at banks | 10,376,125 | 8,497,237 |
| Banker's guarantee | 24,452 | 18,732 |
| | 10,401,786 | 8,516,368 |
| Less: banker's guarantee pledged | (24,452) | (18,732) |
| | 10,377,334 | 8,497,636 |

The banker's guarantee has a maturity term of 6 to 27 months (2018: 2 to 17 months) from the end of the financial year and it is interest free.

## 9. SHARE CAPITAL

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Issued and fully paid, without par value: | | |
| 500,000 (2018: 500,000) ordinary shares | 500,000 | 500,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

## 10. TRADE AND OTHER PAYABLES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| **Trade payables:** | | |
| - Sub-Contractor payables | 292,476 | 670,864 |
| **Other payables:** | | |
| - Salaries, CPF and FWL payables | 5,024,526 | 4,325,460 |
| - Deferred revenue | - | 913,706 |
| - Accruals | 31,491 | 33,167 |
| - Amount due to ultimate holding company | 538,820 | 1 |
| - Amount due to immediate holding company | 127,044 | - |
| - Amount due to related company | 195,228 | |
| - Provision for incentives | - | 27,727 |
| - GST payables | 1,523,514 | 1,493,099 |
| | 7,733,099 | 7,464,024 |

Trade payables are non-interest bearing and are generally settled on 30 to 90 (2018: 30 to 90) days' term.

Deferred revenue comprises amounts billed to customers in respect of services to be rendered in future periods.

The amounts due to director and holding companies are unsecured, non-trade in nature, interest-free and repayable on demand.

## 11. REVENUE

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Service rendered | 91,431,412 | 89,625,954 |

## 12. OTHER INCOME

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Government grants | 199,915 | 254,903 |
| Rental income | 96,000 | 72,000 |
| Other income | 98,570 | 9,710 |
| | 394,485 | 336,613 |

## 13. EMPLOYEE BENEFITS

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| Key management compensation: | | | |
| Director's remuneration | 18 | 410,574 | 360,000 |
| Staff costs: | | | |
| - Salaries and bonuses | | 2,264,403 | 2,125,587 |
| - Staff amenities | | 69,697 | 29,740 |
| - CPF contribution | | 87,701 | 87,854 |
| | | 2,832,375 | 2,603,181 |

## 14. PROFIT BEFORE INCOME TAX

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| Profit before taxation has been arrived at after charging: | | | |
| Depreciation on plant and equipment | 5 | 1,894 | 38,570 |
| Employee benefits | 13 | 2,832,375 | 2,603,181 |
| Office rental | 17 | 220,941 | 216,976 |
| Legal & professional fees from related parties | 18 | 1,414,704 | - |

## 15. INCOME TAX EXPENSE

The major components of income tax expense recognised in profit or loss for the financial period ended 31 March 2019 and 31 March 2018 were:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| **Current income tax** | | |
| -Current year | 1,118,528 | 1,168,853 |
| -Over provision in respect of prior year | (141,531) | - |
| | **976,997** | **1,168,853** |

## 15. INCOME TAX EXPENSE – CONTINUED

**Relationship between tax expense and accounting profit**

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial period ended 31 March 2019 and 31 March 2018 were as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Profit before income tax | 6,492,076 | 7,058,639 |
| Tax at the statutory tax rate at 17% (2018: 17%) | 1,103,653 | 1,199,968 |
| Tax effect on non-deductible expenses | 12,667 | 439 |
| Tax effect on non-taxable income | (3,609) | - |
| Statutory stepped income exemption | (25,925) | (25,925) |
| Corporate tax rebate | (10,000) | (10,000) |
| Deferred tax asset not recognised | - | 4,371 |
| Overprovision of tax payable in prior year | (141,531) | |
| Others | 41,742 | - |
| | 976,997 | 1,168,853 |

## 16. DIVIDEND

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Interim tax exempt (one-tier) dividend paid of S$10 (2018: S$ NIL) per share on the issued and paid up ordinary shares in respect of the current financial year ended 31 March 2018 (2017: year ended 31 March 2017) | 5,000,000 | - |

## 17. OPERATING LEASE COMMITMENTS

*(a) When the Company is a lessee*

The Company leases the office under non-cancellable operating lease agreements.

The future minimum rental payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Not later than one year | 227,834 | 227,834 |
| Later than one year but not later than five years | - | - |
| | 227,834 | 227,834 |

Minimum leases payments recognised as an expense in profit or loss for the financial year ended 31 March 2019 amounted to S$220,941 (2018: S$216,976) (Note 14).

## 17. OPERATING LEASE COMMITMENTS – CONTINUED

*(b) When the Company is a lessor*

The Company sublet the office lot under non-cancellable operating lease agreements.

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as assets, are as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Not later than one year | 96,000 | 72,000 |
| Later than one year but not later than five years | - | - |
| | 96,000 | 72,000 |

## 18. SIGNIFICANT RELATED PARTIES TRANSACTIONS

In addition to information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Company with its related parties, at terms agreed between both parties.

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| **Transactions with ultimate holding company:** | | |
| -Legal and professional fees | 536,612 | - |
| **Transactions with immediate holding company:** | | |
| -Legal and professional fees | 878,092 | - |
| **Transactions with fellow subsidiary:** | | |
| -Consultancy income | 92,506 | 147,797 |
| -Rental income | - | 72,000 |
| -Sub-contractor fee | 287,089 | 36,283 |
| -Recruitment expenses | 23,907 | - |
| -Miscellaneous expenses paid on behalf of fellow subsidiary | 180,000 | 100,559 |
| -Miscellaneous expenses paid on behalf by fellow subsidiary | 169,147 | - |
| -Director's remuneration paid on behalf of fellow subsidiary | - | 47,910 |
| **Key management personnel compensation** | | |
| Director's remuneration & allowance (Note 13) | 410,574 | 360,000 |

## 19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables and loan to the holding company. For other financial assets (including investment securities and cash), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

## 19. FINANCIAL RISK MANAGEMENT – CONTINUED

(a) Credit risk - continued

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Company's current credit risk grading framework comprises the following categories:

| Category | Definition of category | Basis for recognising expected credit loss (ECL) |
|---|---|---|
| I | Counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| II | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| III | Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default). | Lifetime ECL – credit-impaired |
| IV | There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. | Amount is written off |

**Trade receivables**

For trade receivables, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the Company measured the impairment loss allowance and determined that the ECL is insignificant.

**Other receivables including amount due from related parties**

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

## 19. FINANCIAL RISK MANAGEMENT – CONTINUED

### (b) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Company.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligation.

| | Carrying amount S$ | Contractual Cash flows S$ | One year or less S$ |
|---|---|---|---|
| 2019 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 10,401,786 | 10,401,786 | 10,401,786 |
| Trade and other receivables (1) | 12,627,203 | 12,627,203 | 12,627,203 |
| | 23,028,989 | 23,028,989 | 23,028,989 |
| Financial Liabilities | | | |
| Trade and other payables (2) | 6,209,585 | 6,209,585 | 6,209,585 |
| | 6,209,585 | 6,209,585 | 6,209,585 |
| Total net undiscounted financial assets | 16,819,404 | 16,819,404 | 16,819,404 |

| | Carrying amount S$ | Contractual Cash flows S$ | One year or less S$ |
|---|---|---|---|
| 2018 | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 8,516,368 | 8,516,368 | 8,516,368 |
| Trade and other receivables (1) | 13,586,592 | 13,586,592 | 13,586,592 |
| | 22,102,960 | 22,102,960 | 22,102,960 |
| Financial Liabilities | | | |
| Trade and other payables (2) | 5,057,219 | 5,057,219 | 5,057,219 |
| | 5,057,219 | 5,057,219 | 5,057,219 |
| Total net undiscounted financial assets | 17,045,741 | 17,045,741 | 17,045,741 |

(1) The trade and other receivables in this note exclude prepayments, advance to employees and unbilled revenue, where applicable.

(2) The trade and other payables in this note exclude deferred revenue and GST payable.

**19. FINANCIAL RISK MANAGEMENT – CONTINUED**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Company's exposure to interest rate risk arises primarily from cash and cash equivalents.

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from cash and cash equivalents.

(ii) Foreign currency risk

The Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Company, primarily Indian Rupee, United States Dollar, Chinese Yuan and Hong Kong Dollar.

The Company's currency exposures to the foreign currencies at the reporting date were as follows:

| 2019 | Indian Rupee S$ | United States Dollar S$ | Chinese Yuan S$ | Hong Kong Dollar S$ |
|---|---|---|---|---|
| **Financial Assets:** | | | | |
| Trade and other receivables (1) | - | 375,633 | 22,352 | 26,359 |
| | - | 375,633 | 22,352 | 26,359 |
| **Financial Liabilities:** | | | | |
| Trade and other payables (2) | 538,820 | - | - | - |
| | 538,820 | - | - | - |
| Foreign currency exposure | (538,820) | 375,633 | 22,352 | 26,359 |

## 19. FINANCIAL RISK MANAGEMENT – CONTINUED

(c) Market risk - continued

(ii) Foreign currency risk - continued

| 2018 | Hong Kong Dollar S$ |
|---|---|
| **Financial Assets:** | - |
| **Financial Liabilities:** | |
| Trade and other payables (2) | 109,779 |
| Foreign currency exposure | (109,779) |

(1) The trade and other receivables in this note exclude prepayments, advance to employee and unbilled revenue, where applicable.
(2) The trade and other payables in this note exclude deferred revenue and GST payable.

A 10% strengthening of Singapore dollar against the foreign currencies denominated balances as at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit or (loss) after tax | |
|---|---|---|
| | 2019 S$ | 2018 S$ |
| Indian Rupee | (44,722) | - |
| United States Dollar | 31,178 | - |
| Chinese Yuan | 1,855 | - |
| Hong Kong Dollar | 2,188 | (9,112) |

A 10% weakening of Singapore dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## 20. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Company comprises issued share capital and retained earnings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2019 and 31 March 2018.

The Company is not subject to any externally imposed capital requirements. The Company's overall strategy remains unchanged from 2018.

## 21. FAIR VALUES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

*Cash and cash equivalents, other receivables and other payables*

The carrying amounts of these balances approximate their fair value due to the short-term nature of their balances.

*Trade receivables and trade payables*

The carrying amounts of these receivables and payables approximate their fair values as they are subject to normal trade credit terms.

## 22. FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost were as follows:

| | Note | 2019<br>S$ | 2018<br>S$ |
|---|---|---|---|
| **Financial assets measured at amortised cost** | | | |
| Trade and other receivables (1) | 6 | 12,627,203 | 13,586,592 |
| Cash and cash equivalents | 8 | 10,401,786 | 8,516,368 |
| Total Financial assets measured at amortised cost | | 23,028,989 | 22,102,960 |
| **Financial liabilities measured at amortised cost** | | | |
| Trade and other payables (2) | 10 | 6,209,585 | 5,057,219 |
| Total financial liabilities measured at amortised cost | | 6,209,585 | 5,057,219 |

(1) The trade and other receivables in this note exclude prepayments, advance to employee and unbilled revenue, where applicable.

(2) The trade and other payables in this note exclude deferred revenue and GST payable.

## 23. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on

21 MAY 2019

# COMTELPRO PTE. LIMITED

# (Co. Reg. No.: 201715683K)

## DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Joe Tan & Associates PAC
Chartered Accountants

1 Coleman Street #05-16 The Adelphi Singapore 179803
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Email: enquiry@jdt.com.sg website: www.jdt.com.sg
Incorporated with Limited Liability Regn No. 200801266N

**COMTELPRO PTE. LIMITED**
**(Co. Registration No.: 201715683K)**

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**DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

CONTENTS

**COMTELPRO PTE. LIMITED.**
**(Co. Registration No.: 201715683K)**

**DIRECTORS' STATEMENT**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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The directors are pleased to present their statement to the member together with the audited financial statements of ComtelPro Pte. Limited. (the "Company") for the financial year ended 31 March 2019.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and

(b) at the date of this statement, having regard to the financial support from the holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Arora Vivek (Appointed on 24 October 2018)
Subrata Kumar Nag
Ajit Abraham Isaac

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor any time during the end of the financial year was the Company a party to any arrangement of which the object was to enable the directors of the Company to acquire benefits through the acquisition of shares in or debentures of the Company or any other corporate body.

## 4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest of the share capital or debentures of the Company or of related corporations as recorded in the Register of Director's Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap 50, except as follows:

| Name of directors and companies In which interest are held | Shareholdings in the name of directors | |
|---|---|---|
| | As at 31.03.2019 | As at 31.03.2018 |
| | (No. of ordinary shares) | |
| The Ultimate Holding Company – Quess Corp. Limited. | | |
| Ajit Abraham Isaac | 17,654,674 | 17,585,960 |

## 5. SHARES OPTIONS

There were no shares options granted by the Company during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under shares option as at the end of the financial year.

## 6. INDEPENDENT AUDITORS

The independent auditor, **JOE TAN & ASSOCIATES PAC**, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors,

..........................................
Arora Vivek
Director

Subrata Kumar Nag
..........................................
**Subrata Kumar Nag**
Director

Singapore

21 MAY 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**COMTELPRO PTE. LIMITED.**

**Report on the Audit of Financial Statements**

*Opinion*

We have audited the accompanying financial statements of ComtelPro Pte. Limited., which comprise the statement of financial position of the Company as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of Matter*

We draw attention to Note 2 to the financial statements. The Company incurred a net loss of S$494,165 and a capital deficit of S$588,191 for the financial year ended 31 March 2019. These conditions indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis on the assumption that the shareholders will give financial support to the Company. Our opinion is not modified in respect of this matter.

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibility of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The directors' responsibilities include overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducts in accordance with SSAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude 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 the Company to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Joe Tan & Associates PAC

**JOE TAN & ASSOCIATES PAC**
Public Accountants and
Chartered Accountants

Singapore

21 MAY 2019



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COMTELPRO PTE. LIMITED.
(Co. Reg. No.: 201715683K)

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Trade and other receivables | 4 | 46,689 | 302,154 |
| Contract assets | 5 | 82,659 | - |
| Cash and cash equivalents | 6 | 95,155 | 120,107 |
| **Total current assets** | | 224,503 | 422,261 |
| **TOTAL ASSETS** | | 224,503 | 422,261 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity:** | | | |
| Share capital | 7 | 200,000 | 200,000 |
| Accumulated losses | | (788,191) | (294,026) |
| **Equity attributable to owners of the company** | | (588,191) | (94,026) |
| **Current liabilities:** | | | |
| Trade and other payables | 8 | 812,694 | 516,287 |
| **Total current liabilities** | | 812,694 | 516,287 |
| **TOTAL EQUITY AND LIABILITIES** | | 224,503 | 422,261 |

The accompanying notes form an integral part of these financial statements.

COMTELPRO PTE. LIMITED.
(Co. Reg. No.: 201715683K)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Revenue** | 9 | 534,137 | 314,250 |
| Cost of services | | (522,486) | (298,650) |
| **Gross Profit** | | 11,651 | 15,600 |
| Other income | 10 | 2,659 | 43 |
| Administrative expenses | | (508,475) | (309,669) |
| **Loss before income tax** | 12 | (494,165) | (294,026) |
| Income tax expense | 13 | - | - |
| **Loss for the year, representing total comprehensive loss for the year** | | (494,165) | (294,026) |

The accompanying notes form an integral part of these financial statements.

COMTELPRO PTE. LIMITED.
(Co. Reg. No.: 201715683K)

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Share capital S$ | Accumulated losses S$ | Total S$ |
|---|---|---|---|
| Balance as at 6 June 2017 (Date of incorporation) | 2 | - | 2 |
| Issuance of shares during the year (Note 7) | 199,998 | - | 199,998 |
| Loss for the period, representing total comprehensive income for the period | - | (294,026) | (294,026) |
| **Balance at 31 March 2018** | 200,000 | (294,026) | (94,026) |
| Balance at 1 April 2018 | 200,000 | (294,026) | (94,026) |
| Loss for the year, representing total comprehensive loss for the year | - | (494,165) | (494,165) |
| **Balance at 31 March 2019** | 200,000 | (788,191) | (588,191) |

The accompanying notes form an integral part of these financial statements.

COMTELPRO PTE. LIMITED.
(Co. Reg. No.: 201715683K)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019<br>S$ | 2018<br>S$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | (494,165) | (294,026) |
| *Changes in working capital:* | | | |
| Decrease/(Increase) in trade and other receivables | | 255,465 | (302,154) |
| Increase in contract assets | | (82,659) | - |
| Increase in trade and other payables | | 296,407 | 516,287 |
| **Net cash used in from operating acivities** | | (24,952) | (79,893) |
| **Cash flows from financing activities** | | | |
| Proceeds of issuance of ordinary shares | 7 | - | 200,000 |
| **Net cash generated from financing activities** | | - | 200,000 |
| **Net (decrease)/increase in cash and cash equivalents** | | (24,952) | 120,107 |
| Cash and cash equivalents at the beginning of year | | 120,107 | - |
| **Cash and cash equivalents at the end of year** | 6 | 95,155 | 120,107 |

The accompanying notes form an integral part of these financial statements.

## 1. GENERAL

The Company is a private company limited by shares, and is incorporated and domiciled in the Republic of Singapore.

The registered office address of the Company is 10 Anson Road #21-07, International Plaza, Singapore 079903.

The principal activities of the Company consist of the provision of consultancy services. There are no significant changes in the nature of these activities during the financial year.

The Company's immediate holding company is Quesscorp Holdings Pte. Ltd., incorporated in Singapore.

The Company's ultimate holding company is Quess Corp Limited, incorporated in India.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements are presented in Singapore dollar and are prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (S$), which is the Company's functional currency. All financial information presented in Singapore Dollar, unless otherwise indicated.

There have been no significant changes in the nature of these activities during the financial year.

### GOING CONCERN

The Company incurred a net loss of S$494,165 (2018: S$294,026) and has capital deficit of S$588,191 (2018:S$94,026) for the financial year ended 31 March 2019. The accompanying financial statements have been prepared on a going concern basis on the assumption that the shareholder will provide continuing financial support to enable the Company to meet its liabilities as and when they fall due. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recovered assets amounts or the amounts and reclassification of liabilities that might be necessary should the Company be unable to operate as a going concern.

The ability of the Company to continue as a going concern is dependent on the undertaking of its ultimate holding company, Quess Corp Limited, to provide continuing financial support to enable the Company to meet its liabilities as and when they fall due.

If the Company were unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND REVISED STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 January 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39.

However, the adoption of FRS 109 has no significant effects on the Company's accounts at the beginning of the year.

**Classification and measurement**

Under FRS 109, debt instruments are subsequently measured either at fair value through profit or loss (FVPL), amortised cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under FRS 39. The following are the changes in the classification and measurement of the Company's financial assets:

(a) Trade and other receivables are classified as loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 1 April 2018.

The Company has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Company's financial liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND REVISED STANDARDS – CONTINUED

In summary, upon the adoption of FRS 109, the Company had the following required or elected reclassifications as at 1 April 2018:

| | FRS 39 measurement category<br>Loans and receivables<br>S$ | FRS 109 measurement category<br>Amortised cost<br>S$ |
|---|---|---|
| Trade and other receivables | 165,148 | 165,148 |

**Impairment**

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. FRS 109 requires the Company to recognise an allowance for ECLs for all debt instruments not held at FVPL.

However, the adoption of FRS 109 has no significant effects on the allowance for ECLs at the beginning of the year.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 April 2018.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and related interpretations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND REVISED STANDARDS - continued

The effect of adopting FRS 115 as at 1 April 2018 was as follows:

| | Increase / (Decrease) |
|---|---|
| **Assets** | **S$** |
| Unbilled revenue | (136,781) |
| Contract assets | 136,781 |
| | - |

The following shows the amount by which each financial statement line item is affected for the year ended 31 March 2019 as a result of the adoption of FRS 115. The adoption of FRS 115 did not have a material impact on profit or loss, other comprehensive income or the Company's operating, investing and financing cash flows. The third column shows amounts prepared under FRS 115 and the first column shows what the amounts would have been had FRS 115 not been adopted:

**Statement of financial position**

| | 31.3.2019 (FRS18) | FRS115 Adjustments | 31.3.2019 (FRS115) |
|---|---|---|---|
| **Assets** | **S$** | **S$** | **S$** |
| Unbilled revenue | 82,659 | (82,659) | - |
| Contract assets | - | 82,659 | 82,659 |
| | 82,659 | - | 82,659 |

### STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. The Company does not plan to early adopt these standards.

| Reference | Description | Effective for annual periods beginning on or after |
|---|---|---|
| FRS 116 | Leases | 1 Jan 2019 |
| INT FRS 123 | Uncertainty over Income Tax Treatments | 1 Jan 2019 |
| Amendments to :- | FRS 28 - Investments in Associates (Long term interests in associates and joint venture) | 1 Jan 2019 |
| | FRS 19 - Employee benefits (Plan amendments curtailment or settlement) | 1 Jan 2019 |
| | FRS 109 - Financial Instruments (Prepayment features with negative compensation | 1 Jan 2019 |
| Annual improvement 2018 to :- | FRS 103 - Business combination (Previously held interest in a joint operation) | 1 Jan 2019 |
| | FRS 111 - Joint arrangement (Previously held interest in a joint operation) | 1 Jan 2019 |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### STANDARDS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

| | | |
|---|---|---|
| | FRS 112 - Income taxes (Income tax consequences of payments on financial instruments classified as equity) | 1 Jan 2019 |
| | FRS 23 - Borrowing costs (Borrowing costs eligible for capitalisation) | 1 Jan 2019 |
| Amendments to :- | FRS 103 - Business Combinations (Definition of a business) | 1 Jan 2020 |
| FRS 117 | Insurance contracts | 1 Jan 2021 |
| FRS 110 & FRS 28 | FRS 110 -Consolidated financial statement and FRS 28 - Investment in associates and joint venture (Sale or contribution of assets between an investor and its associate or joint venture) | To be determined |

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 is described below.

FRS 116 Leases

FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the initial application of the new FRS 116 will likely result in changes to the accounting policies relating to the Company's leases. Management does not intend to early adopt FRS 116, which is effective from financial year beginning 1 January 2019 and will perform a detailed assessment of the possible impact of implementing FRS 116 before its implementation date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### FINANCIAL INSTRUMENTS

These accounting policies are applied on and after the initial application date of FRS 109, 1 April 2018:

(a) Financial assets

*Initial recognition and measurement*

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

*Subsequent measurement - Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### FINANCIAL INSTRUMENTS – CONTINUED

(a) Financial assets - continued

*Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

*Subsequent measurement*

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

The accounting for financial assets before 1 April 2018 under FRS 39 are as follows:

(a) Financial assets

*Initial recognition and measurement*

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### FINANCIAL INSTRUMENTS – CONTINUED

(a) Financial assets - continued

*Subsequent measurement- Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise the trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents comprise cash at banks and on hand.

*De-recognition*

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

*De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### IMPAIRMENT OF FINANCIAL ASSETS

(a) These accounting policies are applied on and after the initial application date of FRS 109, 1 April 2018:

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) These accounting policies are applied before the initial application date of FRS 109, 1 April 2018:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### IMPAIRMENT OF FINANCIAL ASSETS – CONTINUED

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### PROVISIONS

**General**
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### EMPLOYEE BENEFITS

(a) **Defined contribution plans**
The Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) **Short-term employee benefits**
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### REVENUE RECOGNITION

(a) These accounting policies are applied on and after the initial application date of FRS 115, 1 April 2018:

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

**a) Rendering of services**

Revenue from services are recognised when consultancy services have been performed and rendered.

**b) Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

(b) These accounting policies are applied before the initial application date of FRS 115, 1 April 2018:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable.

**a) Rendering of services**

Revenue from services are recognised when consultancy services are rendered and accepted by the customers.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### REVENUE RECOGNITION - CONTINUED

**b) Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

### TAXES

**(a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 end of each reporting period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### TAXES – CONTINUED

**(b) Deferred tax - continued**

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**c) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### RELATED PARTIES

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and Company if that person:
  (i) Has control or joint control over the Company;
  (ii) Has significant influence over the Company; or
  (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions apply:
  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (iii) Both entities are joint venture of the same third party.
  (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  (vi) The entity is controlled or jointly controlled by a person identified in (a);
  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### SHARE CAPITAL

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### OPERATING LEASES AS LESSEE

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognised in profit or loss.

### CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

### TRADE RECEIVABLES

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Section Financial instruments – initial recognition and subsequent measurement.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could results in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### (a) Judgments made in applying accounting policies

(i) Determination of functional currency

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### (b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES – CONTINUED

### (b) Key sources of estimation uncertainty – continued

(i) Provision for expected credit losses of trade receivables - continued

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 15.

The carrying amounts of the Company's trade and other receivables as at 31 March 2019 were S$25,209 (2018: S$301,886).

## 4. TRADE AND OTHER RECEIVABLES

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| **Trade receivables:** | | |
| - Related company | 18,458 | 20,804 |
| - Third parties | 6,751 | 144,301 |
| - Unbilled revenue | - | 136,781 |
| | 25,209 | 301,886 |
| **Other receivables:** | | |
| - Prepayments | 1,480 | 225 |
| - Deposits | 20,000 | 43 |
| | 46,689 | 302,154 |

Trade receivables are non-interests bearing and are generally on 30 days' term.

Other receivables are non-trade in nature, unsecured, interest-free and have no fixed term of repayment.

Unbilled revenue referred to services being rendered but not yet billed to customers.

## 5. CONTRACT ASSETS

The contract assets primarily relate to the Company's right to consideration for work completed and not billed, as the rights are conditioned on the Company's future performance in satisfying the respective performance obligation at each reporting date.

The following table show the contract assets:

| **Current:** | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Contract assets | 82,659 | - |

## 6. CASH AND CASH EQUIVALENTS

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Cash at bank | 95,155 | 120,107 |

## 7. SHARE CAPITAL

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | No. of shares | S$ | No. of shares | S$ |
| **Issued and fully paid ordinary shares** | | | | |
| At beginning of the year | 200,000 | 200,000 | 2 | 2 |
| Shares issued during the year | - | - | 199,998 | 199,998 |
| At end of the year | 200,000 | 200,000 | 200,000 | 200,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meeting. All shares rank equally with regards to the Company's residual assets.

The ordinary shares have no par value.

## 8. TRADE AND OTHER PAYABLES

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| **Trade payables:** | | |
| - Related company | 335,121 | 251,108 |
| | | |
| **Other payables:** | | |
| - Salaries, CPF and FWL payables | 21,416 | 30,803 |
| - Accruals | 31,307 | 3,500 |
| - Amount due to related company (non-trade) | 420,469 | 220,469 |
| - GST payables | 4,381 | 10,407 |
| | 812,694 | 516,287 |

Trade payables are unsecured and are normally settled on 30 to 90 days' term.

The amount due to related party are non-trade in nature, unsecured, interest-free and have no fixed term of repayment.

## 9. REVENUE

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Consultancy services rendered | 534,137 | 314,250 |

## 10. OTHER INCOME

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Government grants | 2,659 | 43 |

## 11. EMPLOYEE BENEFITS

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| Key management compensation: | | | |
| Director's remuneration | 14 | - | 47,910 |
| Staff costs: | | | |
| - Salaries and bonuses | | 826,876 | 436,665 |
| - CPF contribution | | 62,938 | 11,332 |
| | | 889,814 | 495,907 |

## 12. LOSS BEFORE INCOME TAX

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| Profit before taxation has been arrived at after charging: | | | |
| Employee benefits | 11 | 889,814 | 495,907 |
| Office rental | 14 | 96,000 | 72,000 |
| Legal & professional fees | | 6,722 | 5,112 |

## 13. INCOME TAX EXPENSE

The major components of income tax expense recognised in profit or loss for the financial period ended 31 March 2019 and 31 March 2018 were:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Income tax | - | - |
| Deferred tax | - | - |
| | - | - |

## 13. INCOME TAX EXPENSE – CONTINUED

**Relationship between tax expense and accounting profit**

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial period ended 31 March 2019 and 31 March 2018 were:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Loss before income tax | (491,165) | (294,026) |
| Tax at the statutory tax rate at 17% (2018: 17%) | (83,498) | (49,984) |
| Tax effect on non-deductible expenses | 221 | - |
| Deferred tax asset not recognised | 83,277 | 49,984 |
| | - | - |

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has unrecognised tax losses of S$786,376 (2018:S$293,511) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements.

## 14. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Company with related parties, at terms agreed between the parties:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| **Transactions with fellow subsidiary:** | | |
| -Consultancy income | 287,089 | 36,283 |
| -Rental expense | 96,000 | 72,000 |
| -Sub-contractor fee | 92,506 | 147,797 |
| -Staff salaries paid on behalf of fellow subsidiary | 84,000 | - |
| -Miscellaneous expenses paid on behalf by fellow subsidiary | - | 100,559 |
| -Director's remuneration paid on behalf by fellow subsidiary | - | 47,910 |
| | | |
| **Key management personnel compensation** | | |
| Director's remuneration & allowance (Note 11) | - | 47,910 |

## 15. OPERATING LEASE COMMITMENTS

*Where Company is the lessee*

The Company leases the office under non-cancellable operating lease agreement.

The future minimum rental payables under non-cancellable operating lease contracted for at the reporting date but not recognised as liabilities, are as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Not later than one year | - | 72,000 |
| Later than one year but not later than five years | - | - |
| | - | 72,000 |

Operating lease payments represent rents payable by the Company for office premises. The lease is negotiated for an average term of 12 months and rentals are fixed for an average of 12 months with no provisions for contingent rent or upward revision of rent based on market price indices.

Minimum leases payments recognised as an expense in profit or loss for the financial year ended 31 March 2019 amounted to S$96,000 (2018: S$72,000) (Note 12).

## 16. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets (including investment securities and cash), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

## 16. FINANCIAL RISK MANAGEMENT – CONTINUED

(a) Credit risk - continued

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

## 16. FINANCIAL RISK MANAGEMENT – CONTINUED

(a) Credit risk - continued

The Company's current credit risk grading framework comprises the following categories:

| Category | Definition of category | Basis for recognising expected credit loss (ECL) |
|---|---|---|
| I | Counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| II | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| III | Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default). | Lifetime ECL – credit-impaired |
| IV | There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. | Amount is written off |

For trade receivables, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the Company determined that the ECL is insignificant.

(b) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Company.

## 16. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Liquidity risk - continued

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligation.

| | Carrying amount S$ | Contractual Cash flows S$ | One year or less S$ |
|---|---|---|---|
| **2019** | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 95,155 | 95,155 | 95,155 |
| Trade and other receivables (1) | 45,209 | 45,209 | 45,209 |
| | 140,364 | 140,364 | 140,364 |
| Financial Liabilities | | | |
| Trade and other payables (2) | 808,313 | 808,313 | 808,313 |
| | 808,313 | 808,313 | 808,313 |
| Total net undiscounted financial assets | (667,951) | (667,951) | (667,951) |

| | Carrying amount S$ | Contractual Cash flows S$ | One year or less S$ |
|---|---|---|---|
| **2018** | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 120,107 | 120,107 | 120,107 |
| Trade and other receivables (1) | 165,148 | 165,148 | 165,148 |
| | 285,255 | 285,255 | 285,255 |
| Financial Liabilities | | | |
| Trade and other payables (2) | 505,880 | 505,880 | 505,880 |
| | 505,880 | 505,880 | 505,880 |
| Total net undiscounted financial assets | (83,844) | (83,844) | (83,844) |

(1) The trade and other receivables in this note exclude prepayments and unbilled revenue, where applicable.

(2) The trade and other payables in this note exclude GST payable.

## 16. FINANCIAL RISK MANAGEMENT – CONTINUED

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from cash and cash equivalents.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest-bearing financial instruments at the end of the financial year.

At the reporting date, if the interest rates had been 50 basis points higher/lower with all other variables held constant, the Company's profit before tax would have been S$Nil higher/lower as the Company has no floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk as it has no transactions denominated in foreign currencies.

## 17. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Company comprises issued share capital and retained earnings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2019.

The Company is not subject to any externally imposed capital requirements. The Company's overall strategy remains unchanged from 31 March 2018.

## 18. FAIR VALUES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

*Cash and cash equivalents, other receivables and other payables*

The carrying amounts of these balances approximate their fair value due to the short-term nature of their balances.

*Trade receivables and trade payables*

The carrying amounts of these receivables and payables approximate their fair values as they are subject to normal trade credit terms.

## 19. FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost were as follows:

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Financial assets measured at amortised cost** | | | |
| Trade and other receivables (1) | 4 | 45,209 | 165,148 |
| Cash and cash equivalents | 5 | 95,155 | 120,107 |
| Total Financial assets measured at amortised cost | | 140,364 | 285,255 |
| **Financial liabilities measured at amortised cost** | | | |
| Trade and other payables (2) | 7 | 808,313 | 505,880 |
| Total financial liabilities measured at amortised cost | | 808,313 | 505,880 |

(1) The trade and other receivables in this note exclude prepayments and unbilled revenue, where applicable.
(2) The trade and other payables in this note exclude GST payable.

## 19. COMPARATIVE FIGURES

The comparative figures for the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows covered the period from 6 June 2017 (date of incorporation) to 31 December 2018.

## 20. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 21 MAY 2019

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**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED**
**31ST MARCH 2019**

COMPANY NO.
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# COMTELINK SDN. BHD.
(Incorporated in Malaysia)

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019

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**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

## CORPORATE INFORMATION

**BOARD OF DIRECTORS**

SRI SHANTINI A/P BALAKRISHNAN
VIVEK ARORA

**PRINCIPAL PLACE OF BUSINESS**

SUITE 4.01, 4TH FLOOR MENARA RAI SURAI,
JALAN 15/48A,
SENTUL RAYA BOULEVARD,
51000 KUALA LUMPUR.

**PRINCIPAL BANKER**

UNITED OVERSEAS BANK (MALAYSIA) BHD

**REGISTERED OFFICE**

SUITE 11, 1ST FLOOR, MENARA TKSS ,
NO. 206 JALAN SEGAMBUT,
51200 KUALA LUMPUR.

**AUDITORS**

SELVA & ASSOCIATES
CHARTERED ACCOUNTANTS (MALAYSIA)
A MEMBER FIRM OF THE MALAYSIAN INSTITUTE OF ACCOUNTANTS

COMPANY NO.

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COMTELINK SDN. BHD.
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company for the financial year ended 31st March, 2019.

## PRINCIPAL ACTIVITY

The Company is principally engaged in the business of software development, hardware and technical infrastructure maintenance and support, e-commerce and mobile commerce development. There has no significant change in the principal activity during the year.

## FINANCIAL RESULTS

| | |
|---|---|
| Net profit for the financial year | RM 109,779 |

## SHARE CAPITAL

There were no changes in the issued and paid up capital of the Company during the financial year.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

There were no issue of new shares or debentures during the financial year.

## DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the previous financial year and the Directors do not recommend any dividend in respect of the current financial year ended 31st March, 2019.

## DIRECTORS' REMUNERATION

No directors' fees or remuneration was paid out during the year.

## SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

## OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were prepared, the directors took reasonable steps :

(i) to ascertain that proper action had been taken in relation to the writing off the bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances :

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(ii) which would render the values attributed to the current assets in the financial statements of the Company misleading; or

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist :

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person ; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligation when they fall due.

(e) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the directors :

(i) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature ; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

## AUDITORS' REMUNERATION

Details of the auditors' remuneration are set out in Note 11 to the financial statements.

## INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities been given or insurance premium paid, during or since the end of the year, for any person who is or has been the director, officer or auditor of the Company.

## DIRECTORS' SHAREHOLDINGS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are :

| | |
|---|---|
| Gopal Vasudev | (First Director, Resigned on 24th October 2018) |
| Sri Shantini a/p Balakrishnan | |
| Vivek Arora | (Appointed on 24th October 2018) |

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According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act 2016, none of the directors who held office at the end of the financial year held any share or debentures in the Company during the financial year except as follows :-

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | As at 01.04.2018 | Bought | Sold | As at 31.03.2019 |
| Gopal Vasudev | - | - | - | - |
| Sri Shantini a/p Balakrishnan | - | - | - | - |

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than the benefits shown under directors' remuneration) by reason of a contract made by the Company or by a related corporation with the director or with a firm of which the director is a member, or with a company on which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**HOLDING COMPANY**

The Holding Company, Comtel Solutions Pte Ltd. holds 100% share equity in the Company.

**AUDITORS**

The Auditors, SELVA & ASSOCIATES, Chartered Accountants, have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,

..............................................
Vivek Arora
Director

Petaling Jaya
Dated:

**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**
(Pursuant to Section 251(2) of the Companies Act, 2016)

I, the undersigned, being the Directors of **COMTELINK SDN. BHD.**, do hereby state that, in the opinion of the board of Directors, the accompanying financial statements together with the notes attached thereto are drawn up in accordance with the Malaysian Private Entities Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31st March 2019 and of its results and cash flows for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors,

..........................................................
Vivek Arora
Director

Petaling Jaya
Dated:

---

**STATUTORY DECLARATION**
(Pursuant to Section 251(1)(b) of the Companies Act, 2016)

I, Vivek Arora (Passport: Z3842036), being the Director primarily responsible for the financial management of **COMTELINK SDN. BHD.**, do solemnly and sincerely declare that, to the best of my knowledge and belief, the accompanying financial statements together with the notes attached thereto are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960. Subscribed and solemnly declared by the above named Vivek Arora at Petaling Jaya in the state of Selangor Darul Ehsan on this

Before me :

..........................................................
Vivek Arora

..........................................................
COMMISSIONER FOR OATHS

**SELVA & ASSOCIATES** (AF 1871)
CHARTERED ACCOUNTANTS
*Firma Akauntan Bertauliah*

*A Member Firm of the Malaysian Institute of Accountants*(MIA)
Website: www.selva-associates.com Email: selva@selva-associates.com

Suite 301, 3rd Floor, Block A4,
Leisure Commerce Square,
No.9 Jalan PJS 8/9
46150 Petaling Jaya,
Selangor Darul Ehsan,
Tel: 03 7490 2155
Fax: 03 7865 3414

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMTELINK SDN. BHD.
(COMPANY NO: 938724 - A)



## Report on the Financial Statements

We have audited the financial statements of **COMTELINK SDN. BHD.**, which comprise the statement of financial position as at 31st March, 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 24.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirement of the Companies Act, 2016 in Malaysia.

## Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

## Information Other than the Financial Statements and Auditors Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is no material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that and audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatement 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SELVA & ASSOCIATES
(No.AF: 001871)
Chartered Accountants

SELVA RASAN
C.A.(M),CTP,CFP,CPFA(UK),ASA(Aust),MIPA(Aust),
B.Acc(Hons)UKM,Dip.Acc.
No.02390/08/2020 J

Petaling Jaya, Malaysia
Dated: 22 MAY 2019

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**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

## STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019

| | NOTE | 2019 RM | 2018 RM |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Trade receivables | | 396,614 | 386,557 |
| Other receivables | | 5,000 | 20,525 |
| Tax recoverable | | 4,750 | 15,750 |
| Cash and cash equivalent | 7 | 797,504 | 781,311 |
| | | 1,203,868 | 1,204,143 |
| **TOTAL ASSETS** | | 1,203,868 | 1,204,143 |
| **EQUITY AND LIABILITIES** | | | |
| Capital and Reserves | | | |
| Contributed share capital | 8 | 1,000,000 | 1,000,000 |
| Retained earnings | 9 | 164,701 | 54,922 |
| | | 1,164,701 | 1,054,922 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accruals | | 39,167 | 149,221 |
| | | 39,167 | 149,221 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,203,868 | 1,204,143 |

The annexed notes form an integral part of these financial statements.

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**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF INCOME AND RETAINED PROFITS FOR THE YEAR ENDED 31ST MARCH 2018**

| | NOTE | 2019 RM | 2018 RM |
|---|---|---|---|
| Revenue | 10 | 1,488,763 | 1,543,082 |
| Less : Direct expenses | | (1,156,659) | (1,372,437) |
| Gross profit | | 332,104 | 170,645 |
| Other income | | - | 30 |
| Staff cost | | (177,219) | (111,995) |
| Administrative and other operating expenses | | (19,850) | (30,779) |
| Profit before operations | | 135,035 | 27,901 |
| Finance cost | | (1,256) | (755) |
| Profit before tax | 11 | 133,779 | 27,146 |
| Tax expense | 12 | (24,000) | (5,472) |
| Profit after tax for the year | | 109,779 | 21,674 |
| Retained profits brought forward | | 54,922 | 33,248 |
| Available for appropriations | | 164,701 | 54,922 |
| Dividend paid | | - | - |
| Retained profit carrid forward | | 164,701 | 54,922 |

The annexed notes form an integral part of these financial statements.

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**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2019**

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 133,779 | 27,146 |
| **Operating profit before working capital changes** | 133,779 | 27,146 |
| | | |
| **(Increase)/decrease in working capital:** | | |
| Trade receivables | (10,057) | 111,795 |
| Other receivables | 15,525 | 888,817 |
| Other payables and accruals | (110,054) | (310,106) |
| **Cash generated from operating activities** | 29,193 | 717,652 |
| Tax paid | (13,000) | (11,717) |
| **Net cash generated from operating activities** | 16,193 | 705,935 |
| | | |
| **Net change in cash and cash equivalents** | 16,193 | 705,935 |
| Cash and cash equivalents at 1st April | 781,311 | 75,376 |
| **Cash and cash equivalents at 31st March** | 797,504 | 781,311 |

The annexed notes form an integral part of these financial statements.

COMTELINK SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31ST MARCH 2019

## 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in the business of software development, hardware and technical infrastructure maintenance and support, e-commerce and mobile commerce development. There has no significant change in the principal activity during the year.

The financial statements are stated in Ringgit Malaysia.

The Company's registered office is at Suite 11, 1st Floor, Menara TKSS, No. 206 Jalan Segambut, 51200 Kuala Lumpur.

The financial statements were authorized for issue in accordance with a resolution of the Board of Directors on

## 2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in compliance with the Malaysian Private Entities Reporting Standards (MPERS) issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Malaysian Companies Act 2016.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 4.1) Property, Plant and Equipment (PPE)

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services, for administrative purpose or for rental to others are recognised as property, plant and equipment when the Company obtains control of the assets. The assets are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old.

All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the assets to its present location and condition for management's intended use.

At the end of each reporting period, the residual values, useful life and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimated of the an item is adjusted prospectively over its remaining useful life, commencing in the current period. Gain or loss arising from disposal of property, plant and equipment is determined and recognized in the income statement.

4.2) **Impairment of non-financial assets**

An impartment loss arises when the carrying amount of a Company's asset exceeds its recoverable amount.
At the end of each reporting date, the Company assess whether there is any indication that a stand-alone asset or a cash-generating unit may be impaired by using external and internal sources of information. If any such indication exits, the Company estimates the recoverable amount of the asset or cash-generating unit.

If an individual asset generates independent cash inflows, it is tasted for impairment as a stand alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and value in use. The Company determines the fair value costs to sell an asset or a cash-generating unit in a hierarchy based on: (i) price in a binding sale agreement; (ii) market price traded in a active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five year forecast or budget.

For an asset measured on a cost-based model, any impairment loss is recognised in profit or loss.For a cash-generating unit, any impairment loss is allocated to the assets of the unit pro rata based on the relative carrying amount of the assets.

The Company reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognised previously may have reversed. Any reversal of impairment loss for an asset carried at a cost-based model is recognised in profit loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

4.3) **Financial instruments**

a) **Initial recognition and measurement**
The Company recognizes a financial asset or financial liability (including derivate instruments) in the statement of financial position when, and only when, it become a party to a contractual provision of the instrument.

On initial recognition, all financial assets and financial liabilities are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit and loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit and loss when incurred.

b) **Derecognition of Financial Instruments**

The financial asset is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial assets, including circumstances when the Company acts only as a collecting agent of the transferee, and retains no significant risk and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legal extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as en extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Company considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

c) **Subsequent Measurement of Financial Assets**

For the purpose of subsequent measurement, the Company classified financial asset into two categories namely; (i) financial assets at fair value through profit and loss and (ii) financial assets at amotised cost.

d) **Subsequent Measurement of Financial Liabilities**

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

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

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique using reasonable and supportable assumptions.

f) **Recognition of gains and losses**

Fair value changes of financial assets and financial liabilities classified as at fair value through profit and loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain and loss is recognised in profit or loss only when the financial asset or financial liability is derecognized or impaired, and through the amortization process of the instrument.

g) **Impairment and uncollectibility of financial assets**
At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset or a group of financial asset is impaired. Evidences of trigger loss events include: (i) significant difficulty of the issuer or obligor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) granting exceptional concession to a customer; (iv) it is probable that a customer will enter bankruptcy or other financial reorganization; (v) the disappearance of an active market for that financial assets because of financial difficulties; or (vi) any observable market data indicating that there may be a measurable decrease in the estimate future cash flows from a group of financial assets.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss and a corresponding amount is recorded in a loss allowance account, Any subsequent reversal of impairment loss of the financial asset is reversed in profit or loss with a corresponding adjustment to the loss allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognised previously.

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is an any indication of impairment. Individually significant receivables for which no impairment loss recognised are grouped together with all other receivables by classes based on credit risk characteristics for a class group based on the Company's experience of loss ratio in each class, taking into consideration current market conditions.

For an unquoted equity investment measured at cost less impairment, the impairment is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Company expects to receive for the asset if it were sold at the reporting date. The Company may estimate the recoverable amount using an adjusted net asset value approach.

### 4.4) Share capital and distributions

a) **Share Capital**

Ordinary shares issued that carry no put option and no mandatory contractual obligation; (i) to deliver cash or another financial assets; or (ii) to exchange financial assets of financial liabilities with another entity under conditions that are potentially unfavorable to the Company, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a private placement or in a rights issue to existing shareholders, they are recorded at the issue price. For ordinary shares and other equity instruments issued in exchange for non-monetary asset, they are measured by reference to the fair values of the assets received.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at their fair value at the date of the exchange transaction.

Transaction costs of an entity transaction are accounted for as a deduction from equity, net of any related income tax effect.

b) **Distributions**

Distributions to holders of an equity instrument are recognised as equity transactions and are debited directly in equity, net of any related income tax effect.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Board of Directors declares an interim dividend, or in the case of a proposes final dividend, the
date of shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders. For a distribution of non-cash assets to owners, the Company measures the dividend payable at the fair value of the assets to be distributed.

4.5) **Finance and operating leases**

The Company recognizes a lease whenever there is an agreement, whether explicitly stated as a lease or otherwise, whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred. All other leases that do not meet this criterion are classified as operating leases.

**Lease accounting**

The Company capitalises the underlying leased asset and the related lease liability in a finance lease. The amount recognised at the commencement date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lease are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contigent rents are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are classified by nature and accounted for in accordance with the applicable Standards in MPERS. If there is no reasonable certainty that the lease will obtain ownership by the end the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

4.6) **Provision**

The Company recognizes a liability as a provision if the outflows required to settle the liability are uncertain in timing or amount.

A provision for warranty costs, restoration costs, restructuring costs, onerous contracts or lawsuits claims is recognised when the Company has a present legal or constructive obligation as a result of a past event, and of which the outflows of resources on settlement are probable and a reliable estimate of the amount can be made. No provision is recognised if these condition are not met.
Any reimbursement attributable to a recognised provision from a counter-party (such as an insurer) is not off-set against the provision but recognised separately as an asset when, and only when, the reimbursement is virtually certain.

A provision is measured at the best estimate of he expenditure required to settle the present obligation at the end of the reporting period. For a warranty provision, a probability-weighted expected outcome of the resources required to settle the obligation is applied, taking into account the Company's experiences of similar transactions and supplemented with current facts and circumstances. For a restoration provision, where a single obligation is being measured, the Company uses the individual most likely future events that may effect the amount required to settle an obligation. For an onerous contract, a provision is measured based on the amount which costs to fulfill the contract exceed the benefits. For a lawsuit provision, a probability-weighted expected outcome is applied in the measurement, taking into account past court judements made in similar cases and advices of legal experts.

A provision is measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the time value of money and the risk that the actual outcome might differ from the estimate made. The unwinding of the discount is recognised as an interest expense.

4.7) **Tax assets and tax liabilities**

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability (asset) is measured at the amount the Company expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affect neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purpose.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deffered tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affect neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying property, plant and equipment.

A deferred tax asset is recognised for the carrying-forward of unused tax losses and unused tax credit to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credit can be utilised. Unused tax credit do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Company treats as part of initial recognition differences.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. For an investment property measured at fair value, the Company does not have a business model to hold the property solely for rental income, and hence, the deferred tax liability on the fair value gain is measured based on the presumption that the property is recovered through sale at the end of the reporting period.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in profit or loss for the period. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

4.8) **Revenue recognition and measurement**

The Company measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivable, which is usually the invoice print, net of any trade discounts and volume rebates given to a customer in a sale or sevice transaction. Revenue from a sale of goods is recognised when: (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; (b) the Company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold; (c) the amount of the revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income is recognised on the straight-line basis over the term of the relevant tenancy agreement. Interest received is recognised when the right to receive has been established. Other income is recognized on a receipt basis.

4.9) **Borrowing Costs**

Borrowing costs of the Company include interest on loans, finance lease liabilities and interest expense of other debt instruments calculated using the effective interest method. All borrowing costs are recognised as an expense when incurred.

4.10) **Employee Benefits**

The Company recognizes a liability when an employee has provided service in exchange for the employee benefits to be paid in the future and an expense when the Company consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

(a) **Short-term Employee Benefits**

Wages and salaries are accrued and paid on a monthly basis and recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences ( annual leave, maternity leave, paternity leave, sick leave, etc) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

(b) **Post-Employment Benefits – Defined Contributions Plans**

The Company makes statutory contributions to approved provident funds and the contributions made are charged to profit and loss in the period to which they relate. When the contributions have been paid, the Company has no further payment obligations.

4.11) **Goods and Service Tax**

Goods and Service Tax ("GST") is consumption tax based on value added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchase of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognized net of the amount of GST except :-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is rcognised as part of the cost of acquisition of the assets or as part of the expenses item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 5. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

## 6. FINANCIAL RISK MANAGEMENT POLICIES

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its risks. The Company operates within guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.
The main areas of financial risks faced by the Company and the policies in respect of the major areas of treasury activities are set out as follows:-

a) **Interest Rate Risk**

If interest rate arises from the Company's borrowings, this is managed through the use of fixed and floating rate debt.

b) **Credit Risk**

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material.

c) **Liquidity Risk**

The Company practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

d) **Cash Flow Risk**

The Company reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flow as associated with its monetary financial instruments.

e) **Fair Value**

All items pertaining to non-current assets, financial assets, financial liabilities and other assets may be subjected to fair value practice in the event if it does not give arise to undue cost and effort.

f) **Currency Risk**

In the event, the Company's financial assets and financial liability are denominated in foreign currency, the Company ensures proper policies in place to mitigate significant fluctuation.

g) **Price Risk**

The Company does not foresee significant pricing fluctuations. In the event this occurs the Company ensures proper controls and safe guards.

## 7. CASH AND CASH EQUIVALENTS

The Company's cash management policy is to use cash and bank balances, money market instruments, bank overdrafts and short-term trade financings to manage cash flows to ensure sufficient liquidity to meet the Company's obligations. The components of cash and equivalent consist of:

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Cash at bank | 797,504 | 781,311 |
| | 797,504 | 781,311 |

## 8. CONTRIBUTED SHARE CAPITAL

| | 2019 No. of shares | 2019 Amount | 2018 No. of shares | 2018 Amount |
|---|---|---|---|---|
| **Issued and fully paid-up ordinary shares:** | | | | |
| Balance at 1st April | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Issue of shares for cash | - | - | - | - |
| Balance at 31st Mac | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |

During the current year ended 31st March 2019, the Company adopted the new Companies Act 2016 which requires that all shares issued before and after the commencement of the new Act shall have no par or nominal value.

## 9. RETAINED PROFITS

The retained profits of the Company are available for distribution by way of cash dividend or dividend in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences that would result from the payment of dividends to shareholders.

## 10. REVENUE

Revenue represents invoiced value from software and e-commerce consultancy rendered during the year.

## 11. PROFIT BEFORE TAX

| | 2019 RM | 2018 RM |
|---|---|---|
| Profit before tax is arrived at after charging: | | |
| Auditor's remuneration | 6,000 | 4,100 |

## 12. INCOME TAX EXPENSES

| | 2019 RM | 2018 RM |
|---|---|---|
| Current year provision | 24,000 | 5,472 |
| | 24,000 | 5,472 |

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the effective income tax rate of the Company is as follows:

COMPANY NO.

| 938724 | A |
|---|---|

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Profit before tax | 133,779 | 27,142 |
| Tax at Malaysian statutory tax rate of 17%/18% | 22,742 | 4,886 |
| Expenses not allowable for tax purpose | - | 586 |
| Tax penalty | 392 | - |
| Others | 866 | - |
| Tax expenses for the year | 24,000 | 5,472 |

## 13. HOLDING COMPANY

Details of the holding company are as follows:-

| Company Name | Country of incorporation | Equity | Principal Activity |
|---|---|---|---|
| Comtel Solutions Pte Ltd | Singapore | 100% | Investment holding company |

## 14. GOODS AND SERVICE TAX (GST) COMPLIANCE

The Company is a GST registrant with a quarterly reporting cycle. The management has ensured total compliance to GST related matters in their operations.

The Goods And Services Tax Act 2014 was repealed on 1st September 2018, and the company's registration was cancelled effective from 1st September 2018.

## 15. EMPLOYEES' INFORMATION

The number of employees (including directors) as at 31st March, 2019 is 17.(2018:17)

## 16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

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COMPANY NO.

| 938724 | A |
|---|---|

FOR MANAGEMENT PURPOSE ONLY

**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

## DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2019

| | | 2019 RM | 2018 RM |
|---|---|---|---|
| | Revenue | 1,488,763 | 1,543,082 |
| Less: | Direct expenses | (1,156,659) | (1,372,437) |
| | Gross Profit | 332,104 | 170,645 |
| Add: | Other income | | |
| | Other creditor written off | - | 8 |
| | GST adjustment | - | 22 |
| | | - | 30 |
| Less: | Staff cost | | |
| | EPF and Socso contribution | 155,319 | 110,170 |
| | Staff insurance | 21,900 | 1,825 |
| | | 177,219 | 111,995 |
| | Administrative and other operating expenses as per schedule (Annexure 1) | 19,850 | 30,779 |
| | Finance cost | | |
| | Bank charges | 1,256 | 755 |
| | | 1,256 | 755 |
| | Total expenditure | 198,325 | 143,529 |
| | Profit before tax | 133,779 | 27,146 |

COMPANY NO.

| 938724 | A |
|---|---|

ANNEXURE 1

**COMTELINK SDN. BHD.**
(Incorporated in Malaysia)

**SCHEDULE OF OPERATING EXPENSES FOR THE YEAR ENDED 31ST MARCH 2019**

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Administrative and other operating expenses | | |
| Accounting fee | - | 3,600 |
| Attestation fee | 55 | 55 |
| Auditor's remuneration | 6,000 | 4,100 |
| Filing fee | - | 150 |
| Postage and courier | 30 | 30 |
| Printing and stationery | 165 | 335 |
| Professional fee | 3,347 | 10,779 |
| Recruitment fee | 6,519 | 3,025 |
| Secretarial fee | 1,884 | 3,400 |
| Stamping fee | - | 3,105 |
| Tax submission fee | 1,800 | 2,150 |
| Travelling expenses | 50 | 50 |
| | 19,850 | 30,779 |

*Consolidated Financial Statements*
*(In Accordance with Group Accounting Policies)*

# MFXCHANGE HOLDINGS, INC.

## For The Years Ended March 31, 2019 and 2018

**MFXCHANGE HOLDINGS, INC.**
**FINANCIAL STATEMENTS**

**INDEX**

LIGGETT & WEBB P.A.
CERTIFIED PUBLIC ACCOUNTANTS

432 Park Avenue South, 10th Floor
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1901 South Congress Avenue, Suite 110
Boynton Beach, FL 33426 / (561) 752-1721

## Independent Auditor's Report on Special Purpose Financial Information Prepared for Consolidation Purposes

**Deloitte Haskins & Sells LLP**

As requested in your instructions Quess Corp Limited Audit for the year ended March 31, 2019 Referral Instructions for our audit of MFXchange Holdings, Inc. we have audited, for purposes of your audit of the consolidated financial statements of Quess Corp Limited (the "Group"), the consolidated financial statements of MFXchange Holdings, Inc. ("the Company") as of March 31, 2019 and 2018 and for the years then ended. This special purpose financial information has been prepared solely to enable Quess Corp Limited to prepare its consolidated financial statements.

**Management's Responsibility for the Special Purpose Financial Information**

Management is responsible for this special purpose financial information in accordance with the instructions issued by Quess Corp Limited's management and as per the accounting policies of Quess Corp Limited, and for such internal control as management determines is necessary to enable the preparation of special purpose financial information that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this special purpose financial information based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. As requested, our audit procedures also included the additional procedures identified in your instructions. Auditing standards generally accepted in the United States of America require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the special purpose financial information is free from material misstatement. As requested by you, we planned and performed our audits using the materiality level specified in your instructions, which is different than the materiality level that we would have used had we been designing the audits to express an opinion on the special purpose financial information of the component alone.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The conclusions reached in forming our opinion are based on the component materiality level specified by you in the context of the audit of the consolidated financial statements of the group.

**Opinion**

In our opinion, the accompanying special purpose financial information for MFXchange Holdings, Inc. and its subsidiaries as of March 31, 2019 and 2018 and for the years then ended has been prepared, in all material respects, in accordance with the instructions issued by Quess Corp Limited's management and as per the accounting policies of Quess Corp Limited.

LIGGETT & WEBB P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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Boynton Beach, FL 33426 / (561) 752-1721

**Restriction on Use and Distribution**
This special purpose financial information has been prepared for purposes of providing information to Quess Corp Limited to enable it to prepare the consolidated financial statements of the group. As a result, the special purpose financial information is not a complete set of financial statements of MFXchange Holdings, Inc. and its subsidiaries in accordance with accounting principles generally accepted in the United States of America and is not intended to give a true and fair view of financial statements, in all material respects, the financial position of MFXchange Holdings, Inc. and its subsidiaries as of March 31, 2019 and 2018, and of its financial performance, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The special purpose financial information may, therefore, not be suitable for another purpose.

This report is intended solely for Deloitte Haskins & Sells LLP and should not be used by (or distributed to) other parties.

Liggett & Webb P.A.

New York, New York
May 6, 2019

**MFXCHANGE HOLDINGS, INC.**
**CONSOLIDATED BALANCE SHEETS**
**AS OF MARCH 31, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,848,968 | $ 3,172,340 |
| Accounts receivable, net | 2,366,736 | 3,365,907 |
| Unbilled revenue | 1,885,898 | 1,060,636 |
| Prepaid expenses | 1,743,415 | 1,487,189 |
| Loan receivable related party | 850,000 | - |
| Total current assets | 8,695,017 | 9,086,072 |
| Property and equipment, net | 2,405,527 | 3,579,272 |
| Software costs, net | 935,756 | 969,405 |
| Other assets | 280,335 | 786,613 |
| Total assets | $ 12,316,635 | $ 14,421,362 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | $ 5,495,108 | $ 5,719,686 |
| Accrued expenses | 5,980,290 | 6,995,570 |
| Deferred revenue | 942,781 | 293,159 |
| Capital lease, current portion | 2,309,764 | 2,315,598 |
| Lines of credit | 4,000,000 | 4,000,000 |
| Loan payable related party | 3,478,680 | - |
| Total current liabilities | 22,206,623 | 19,324,013 |
| Capital lease, long term portion | 879,899 | 2,484,374 |
| Total liabilities | 23,086,522 | 21,808,387 |
| Commitments and Contingencies | - | - |
| Class A redeemable preferred stock, unlimited shares authorized, 1 and 0 shares issued and outstanding at March 31, 2019 and 2018, respectively | 7,123 | - |
| Stockholders' deficit: | | |
| Common stock, unlimited authorized 1,095 shares issued and outstanding | 229,050 | 229,050 |
| Additional paid-in capital | 37,019,210 | 37,026,233 |
| Accumulated deficit | (48,025,270) | (44,642,308) |
| Total stockholders' deficit | (10,777,010) | (7,387,025) |
| Total liabilities and stockholders' deficit | $ 12,316,635 | $ 14,421,362 |

See the accompanying notes to the consolidated financial statements.

**MFXCHANGE HOLDINGS, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| Revenue, net | $ 35,861,320 | $ 40,020,270 |
| Operating costs: | | |
| Salaries and related benefits | 11,809,965 | 12,320,783 |
| Outside services | 12,873,810 | 14,828,330 |
| Hardware and software costs | 6,254,966 | 6,691,825 |
| Depreciation and amortization | 1,977,519 | 2,101,833 |
| General and administrative | 2,029,267 | 1,911,336 |
| Facility costs | 1,124,854 | 1,141,422 |
| Total operating expenses | 36,070,381 | 38,995,529 |
| (Loss) income from operations | (209,061) | 1,024,741 |
| Other income (expense): | | |
| Financing expenses, net | (379,457) | (423,822) |
| (Loss) income before provision for income taxes | (588,518) | 600,919 |
| Income taxes | (79,128) | (37,405) |
| Net (loss) income | $ (667,646) | $ 563,514 |

See the accompanying notes to the consolidated financial statements.

**MFXCHANGE HOLDINGS, INC.**
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | Common Stock | | Additional | Accumulated | |
|---|---|---|---|---|---|
| | Shares | Amount | Paid-in Capital | Deficit | Total |
| Balance, as of March 31, 2017 | 1,095 | $ 229,050 | $ 37,026,233 | $ (45,205,822) | $ (7,950,539) |
| Net income for the year ended March 31, 2018 | - | - | - | 563,514 | 563,514 |
| Balance, as of March 31, 2018 | 1,095 | 229,050 | 37,026,233 | (44,642,308) | (7,387,025) |
| Acquisition of Brainhunter LLC | - | - | (7,023) | (2,715,316) | (2,722,339) |
| Net loss for the year ended March 31, 2019 | - | - | - | (667,646) | (667,646) |
| Balance, as of March 31, 2019 | 1,095 | $ 229,050 | $ 37,019,210 | $ (48,025,270) | $ (10,777,010) |

See the accompanying notes to the consolidated financial statements.

**MFXCHANGE HOLDINGS, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss) income | $ (667,646) | $ 563,514 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,977,519 | 2,101,833 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts receivable | 1,624,839 | (2,375,969) |
| Unbilled revenue | (602,363) | 314,504 |
| Prepaid expenses | 238,694 | 351,715 |
| Other assets | 10,588 | (4,251) |
| Increase (Decrease) in: | | |
| Accounts payable | (383,360) | 1,574,008 |
| Accrued expenses | (1,276,969) | 1,241,103 |
| Deferred revenue | 649,622 | (483,819) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,570,924 | 3,282,638 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for property and equipment | (83,555) | (416,450) |
| Payments for software costs | (264,226) | (536,841) |
| Proceeds from loans to related party | 1,500,008 | - |
| Payment of loans to related party | (1,835,708) | (50,000) |
| Cash acquired in acquisition of Brainhunter LLC | 83,513 | - |
| NET CASH USED IN INVESTING ACTIVITIES | (599,968) | (1,003,291) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on notes payable and capital lease obligations | (2,505,004) | (2,528,435) |
| Proceeds from loan from related party | 246,384 | - |
| Payments on loan from related party | (35,708) | - |
| NET CASH USED IN FINANCING ACTIVITIES | (2,294,328) | (2,528,435) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,323,372) | (249,088) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 3,172,340 | 3,421,428 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 1,848,968 | $ 3,172,340 |

See the accompanying notes to the consolidated financial statements.

**MFXCHANGE HOLDINGS, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Interest paid | $ 360,669 | $ 409,501 |
| Income taxes paid | $ 283,400 | $ 37,405 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS | | |
| Capital lease obligations on software, equipment and prepaid maintenance | $ 894,695 | $ 2,250,426 |
| Reclassification of loans receivable related party from other assets | $ 514,300 | $ - |
| Acquisition of Brainhunter LLC: | | |
| Cash | $ 83,513 | $ - |
| Accounts receivable | 625,668 | - |
| Unbilled revenue | 222,899 | - |
| Prepaid expenses | 17,874 | - |
| Property and equipment, net | 4,695 | - |
| Other assets | 18,610 | - |
| Accounts payable | (158,782) | - |
| Accrued expenses | (261,689) | - |
| Loan payable related party | (3,268,004) | - |
| Class A redeemable preferred stock | (7,123) | |
| Additional paid-in capital | 7,023 | - |
| Accumulated deficit | 2,715,316 | - |
| | $ - | $ - |

See the accompanying notes to the consolidated financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Business and organization

MFXchange Holdings, Inc. (the "Company"), a Canadian corporation, was incorporated on December 17, 2001. The Company together with its subsidiary MFXchange US, Inc. provides customized datacenter and infrastructure services including private cloud offerings, across various industries. In addition, the Company provides end-to-end commercial technology applications and business process outsourcing solutions to the property and casualty insurance industry. On January 24, 2019, the Company acquired 100% of the equity interest in Brainhunter Companies LLC ("Brainhunter"), from a related party. Brainhunter organized on December 19, 2012, in the USA, provides primarily staffing and consulting services in the information technology and engineering sectors.

Basis of presentation

Management is responsible for the consolidated financial statements in accordance with policies and the instructions issued by Quess Corp Limited's (the "Group") management and the disclosed accounting policies. The consolidated financial statements are prepared in accordance with Group accounting policies and include the Company and its wholly-owned subsidiaries, and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for a fair presentation of the periods presented. All inter-company balances and transactions have been eliminated in consolidation.

Basis of measurement

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

a. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments) and
b. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of defined benefit obligations ("DBO").

Use of estimates and judgement

The preparation of the consolidated financial statements in conformity with the Group's accounting policies requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

a. Income taxes: Significant judgements are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.
b. Measurement of defined benefit obligations: The cost of defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Impairment of financial assets: The Company assesses on a forward looking basis the expected credit losses associated with financial assets carries at amortized cost.
d. Property, plant and equipment and intangible assets: The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically. Intangible assets acquired in business combinations are fair valued and significant estimates are made in determining the value of intangible assets. These valuations are conducted by independent experts.
e. Other estimates: The impairment of non-financial assets involves key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and nonfinancial assets and liabilities. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

*Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Basis of consolidation

a. Business combinations: The Company accounts for business combinations which occurred on or after April 1, 2015, using the acquisition method when control is transferred to the Company. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in other comprehensive income ("OCI") and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognized directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

   The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognized in the consolidated statement of operations.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is re-measured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognized in the consolidated statement of operations.

If a business combination is achieved in stages, any previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of operations or other comprehensive income, as the case may be.

b. Goodwill: Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. When the net fair value of the identifiable assets, liabilities and contingent liabilities ("net assets") acquired exceeds the cost of business acquisition, the excess of net assets over cost of business acquisition is recognized immediately in capital reserve.

   Any goodwill that arises is tested annually for impairment. An impairment loss on goodwill is not subsequently reversed. In respect of such business combinations that occurred prior to April 1, 2015, goodwill is included on the basis of its deemed cost on the transition date, which represents the amount recorded under the Group's previous policy.

c. Intangible assets: Intangible assets acquired in a business combination (such as brands, customer contracts and customer relationships) are measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The amortization of an intangible asset with a finite useful life reflects the manner in which the economic benefit is expected to be generated and is included in depreciation and amortization expenses in the consolidated statement of operations. The estimated useful life of amortizable intangibles are reviewed and where appropriate are adjusted, annually.

d. Subsidiaries: Subsidiaries are the entities controlled by the Group. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control exists when the parent has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases. The financial statements of the Group companies are consolidated on a line-by-line basis and intra-group balances and transactions including unrealized gain/ loss from such transactions are eliminated upon consolidation. The financial statements are prepared by applying uniform policies in use at the Group. Non-controlling interests ("NCI") which represent part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Group, are excluded.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. In case where the Group has written a put option with NCI in an existing subsidiary on their equity interest in that subsidiary then the Group evaluates access to the returns associated with the ownership interest. In case NCI still have present access to returns associated with the underlying ownership interest, then the Group has elected to account for put option as per the anticipated-acquisition method. Under the anticipated-acquisition method the put option is accounted for as an anticipated acquisition of the underlying NCI. This is independent of how the exercise price is determined (e.g. fixed or variable) and how likely it is that the option will be exercised. Subsequent to initial recognition, any changes in the carrying amount of the put liability is accounted through consolidated statement of operations.

Change in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

e. Equity accounted investees: The Group's interests in equity accounted investees comprise interests in associates and joint ventures. Associates are entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

   Interests in associates and joint ventures are accounted for using the equity method of accounting. The investment is initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity accounted investees until the date on which significant influence or joint control ceases. The Group's investment in equity accounted investees includes goodwill identified on acquisition.

Functional and presentation currency

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The consolidated financial statements are presented in US dollars ("USD"), which is the Company's functional currency.

Property, plant and equipment

a. Recognition and measurement: Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the consolidated statement of operations. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the consolidated statement of operations when incurred. Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'.

b. Depreciation: Depreciation is provided on a Straight Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognized in the consolidated statement of operations. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013. Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed of). The Group has estimated the useful lives for property, plant and equipment as follows:

| | |
|---|---|
| Plant and machinery | 3 years |
| Computer equipment | 3 years |
| Computer (data server) | 7 years |
| Furniture and fixtures | 4-7 years |
| Office equipment | 4-5 years |
| Vehicles | 3 years |

Leasehold improvements are depreciated over the lease term or estimated useful life whichever is lower. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

Goodwill and other intangible assets

a. Goodwill: Subsequent measurement of goodwill that arises on business combination is at carrying cost less any accumulated impairment losses.
b. Other intangible assets:
*Internally generated: Research and development*
Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:
    - It is technically feasible to complete the software so that it will be available for use
    - Management intends to complete the software and use or sell it
    - It can be demonstrated how the software will generate probable future economic benefits
    - Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
    - The expenditure attributable to the software during its development can be reliably measured.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Directly attributable costs that are capitalized as part of the software includes employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is available for use.

*Others*
Other intangible assets such as computer software, copyright and trademarks are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

c. Subsequent expenditure: Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognized in the consolidated statement of operations as and when incurred.

d. Amortization: Goodwill is not amortized and is tested for impairment annually. Amortization is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortization expenses in the consolidated statement of operations.

The estimated useful lives of intangible assets are as follows:

| | |
|---|---|
| Computer software | 3-5 years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the consolidated statement of operations is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the consolidated statement of operations if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset / CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's CGU or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognized in net profit in the consolidated statement of operations and is not reversed in the subsequent period.

<u>Leases</u>

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

<u>Revenue recognition</u>

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

When the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent that expenses incurred are eligible to be recovered. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration.

When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognized on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue included in other current liabilities represents amounts billed in excess of revenue earned. Unbilled revenue represents revenue earned in excess of amounts billed.

a. People and services: Revenue related to staffing services i.e. salary and incidental expenses of temporary associates along with the service charges are recognized in accordance with the agreed terms and recognized as the related services are performed. Revenue related to recruitment services are recognized at the time the candidate begins full time employment. Revenue related to executive research and trainings are recognized upon rendering of the service. Revenue from training services is recognized prorated over the period of training.

b. Global technology solutions: Revenue related to staffing services i.e. salary and incidental expenses of employees of Information Technology/ Information Technology Enabled Services along with the service charges are recognized in accordance with the agreed terms and recognized as the related services are performed. Revenue from information technology primarily includes co-location, which includes the licensing of cabinet space and power, interconnection offerings; managed infrastructure services and application management services. Revenue is recognized ratably in accordance with the agreed terms of the contract with the customers.

Other income

Other income mostly comprises interest income on deposits, and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognized using the effective interest method.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in consolidated statement of operations. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognized in the consolidated statement operations, except exchange differences arising from the translation of the following items which are recognized in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets and liabilities of foreign operations (subsidiaries and joint venture) including goodwill and fair value adjustments arising on acquisition, are translated into USD, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed of, in full, the relevant amount is transferred to net profit in the consolidated statement of operations. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

Financial instruments

Recognition and initial measurement:
Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

Classification and subsequent measurement:
Financial assets:
On initial recognition, a financial asset is classified as measured at

- Amortized cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

a. A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at FVTPL:
    - the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
    - the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.
b. A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
    - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
    - the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.
c. On initial recognition of an equity investment that is not held for trading, the Group irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

d. All financial assets not classified at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses:

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of operations.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of operations. Any gain or loss on de-recognition is recognized in the consolidated statement of operations.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of operations. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of operations.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of operations unless the dividend clearly represents a recovery of part of the cost of the investment other net gains and losses are recognized in OCI and are not reclassified to consolidated statement of operations.

Impairment of financial assets:
The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies Expected Credit Loss (“ECL”) model for measurement and recognition of impairment loss. The Company follows ‘simplified approach’ for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

De-recognition of financial assets:
A financial asset is derecognized only when:

- The Group has transferred the rights to receive cash flows from the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Group has not retained control of the financial asset.

Financial Liabilities:
Classification, subsequent measurement and gains and losses:
Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of operations. Other financial liabilities subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of operations. Any gain or loss is also recognized in the consolidated statement of operations.

Financial guarantee contracts:
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements and the amount recognized less cumulative amortization.

De-recognition:
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of operations.

Offsetting:
Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Employee benefits

a. Short-term benefit plans - Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid e.g. short term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Compensated absences - The employees of the Group are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Group records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement.
c. Defined contribution plan - A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Group makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Group's contribution is recognized as an expense in the consolidated statement of operations during the period in which the employee renders the related service.
d. Termination benefits - Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

Share based payments

Equity instruments granted to the employees of the Group are measured by reference to the fair value of the instrument at the date of grant. The expense is recognized in the consolidated statement of operations with a corresponding increase to the share based payment reserve, a component of equity. The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortization). The stock compensation expense is determined based on the Group's estimate of equity instruments that will eventually vest.

Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognized for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Group recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realized. Deferred tax assets, unrecognized or recognized, are reviewed at each reporting date and are recognized/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realized.

Minimum alternative tax ("MAT") paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax in future years. Deferred tax includes carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognized as finance cost. Expected future operating losses are not provided for.

Onerous contract:
A contract is considered to be onerous when the expected economic benefit to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognizes any impairment loss on the assets associated with the contract.

Contingent liability

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

Effective April 1, 2017, the Group adopted the standard to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## NOTE 2 – ACQUISITION OF BRAINHUNTER COMPANIES LLC

As disclosed in Note 1, on January 24, 2019, the Company acquired 100% of the outstanding equity interest in Brainhunter Companies LLC, from Brainhunter Systems Ltd, a related party for 1 share of Class A redeemable preferred stock. Brainhunter was merged into MFXchange US, Inc. effective January 31, 2019. The acquisition of Brainhunter, was determined to be a common control transaction as each Company is under the control of Quess Corp Limited. As a result, the assets and liabilities assumed were recorded on the Company's consolidated financial statements at their respective carry-over basis. Accounting Standards Codification ("ASC") 805, "Business Combinations", requires the Company record the common control merger as of the earliest date presented in the consolidated financial statements, however the Company elected to record the common control merger as of January 24, 2019, the date of the acquisition as follows:

## NOTE 2 – ACQUISITION OF BRAINHUNTER COMPANIES LLC (continued)

| | |
|---|---|
| Cash | $ 83,513 |
| Accounts receivable | 625,668 |
| Unbilled revenue | 222,899 |
| Prepaid expenses | 17,874 |
| Property and equipment, net | 4,695 |
| Other assets | 18,610 |
| Accounts payable | (158,782) |
| Accrued expenses | (261,689) |
| Loan payable related party | (3,268,004) |
| Class A redeemable preferred stock | (7,123) |
| Additional paid-in capital | 7,023 |
| Accumulated deficit | 2,715,316 |
| | $ - |

## NOTE 3 - SOFTWARE COSTS

Capitalized software costs primarily include the third party software. As of March 31, 2019 and 2018 the carrying value of software costs was $935,756 and $969,405 which includes software under development amounting to $677,173 and $417,081, respectively. During the years ended March 31, 2019 and 2018, the Company recorded an amortization charge related to software assets totaling $297,875 and $350,051, respectively.

## NOTE 4 – PROPERTY AND EQUIPMENT

As of March 31, 2019 and 2018, property and equipment consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Leasehold improvements | $ 2,746,156 | $ 2,746,156 |
| Hardware costs | 9,903,967 | 9,394,029 |
| Furniture and equipment | 365,507 | 365,507 |
| Total Cost | 13,015,630 | 12,505,692 |
| Less, accumulated depreciation | (10,610,103) | (8,926,420) |
| Property and equipment, net | $ 2,405,527 | $ 3,579,272 |

Depreciation expense was $1,679,644 and $1,751,782 for the years ended March 31, 2019 and 2018, respectively.

## NOTE 5 – ACCRUED EXPENSES

As of March 31, 2019 and 2018 accrued expenses consist of the following:

| | 2019 | 2018 |
|---|---|---|
| Restructuring costs | $ 7,930 | $ 155,585 |
| Salaries and benefits | 2,369,293 | 2,610,392 |
| Other accrued expenses | 3,603,067 | 4,229,593 |
| Total | $ 5,980,290 | $ 6,995,570 |

## NOTE 6 – LINE OF CREDIT, RELATED PARTY

On November 3, 2014, the Company entered into an Amended and Restated Revolving Line of Credit Agreement with Fairfax (US), Inc., a related party. The revolving credit facility contains a maximum borrowing limit of $5,000,000. Borrowings under the revolving credit facility bear interest at 3% interest per annum for the first year and 4% per annum for years two through four. If the termination date is extended by the Fairfax (US), Inc. then the interest shall increase to 5% per annum from the fourth anniversary of the closing date to the extended termination date. Overdue interest shall bear interest at a rate that is 2% per annum in excess of the then applicable interest rate. Interest is payable quarterly. The obligations under the Revolving Facility shall rank pari-passu with all other senior indebtedness of MFXchange USA, Inc. As of March 31, 2019 and 2018, the balance outstanding under the revolving line of credit was $4,000,000. Accrued interest of $41,644 and $33,315 is included in accounts payable at March 31, 2019 and 2018, respectively.

## NOTE 7 – CAPITAL LEASE OBLIGATONS

The Company has entered into several agreements to lease certain computer hardware and software that are classified as capital leases. As of March 31, 2019 and 2018, capital leases consist of the following:

| | 2019 | 2018 |
|---|---|---|
| Capital lease obligations | $ 3,189,663 | $ 4,799,972 |
| Less, current portion of capital leases | 2,309,764 | 2,315,598 |
| Long terrm portion of capital leases | $ 879,899 | $ 2,484,374 |

Debt maturity for the remaining term of the capital lease obligations is as follows:

| Year ending March 31, | |
|---|---|
| 2020 | $ 2,309,764 |
| 2021 | 692,282 |
| 2022 | 91,778 |
| 2023 | 68,767 |
| 2024 | 27,072 |
| Total | $ 3,189,663 |

## NOTE 8 – STOCKHOLDER'S DEFICIT

Common Stock
The Company has an unlimited number of authorized common shares. As of March 31, 2019 and 2018, the Company has 1,095 shares of common stock issued and outstanding.

Class A Redeemable Preferred Stock
On January 24, 2019, the Company filed a Certificate of Amendment which authorizes the issuance of an unlimited number of shares of Class A redeemable preferred stock. The Class A preferred stock shall be entitled to receive non-cumulative annual dividends at the discretion of the directors and the shares do not have voting rights. The Company may redeem the Class A preferred stock upon giving ten (10) days written notice. The holder of the Class A preferred stock shall be entitled to require the Company to redeem at any time the whole or part of such holder's Class A preferred shares. Upon redemption, the Company shall pay to the holders of the Class A preferred stock to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of (i) all dividends declared thereon and unpaid and (ii) the Class A preferred stock redemption amount defined as the amount equal to the aggregate net fair market value of the consideration received by the Company on the issuance of all Class A preferred shares, divided by the number of all such shares issued as consideration therefor, provided that if, after the date on which the Class A preferred stock was issued, the Company pays to the holder of the Class A preferred stock a return of capital (otherwise than on a redemption of such shares), the Class A preferred stock redemption amount of each Class A preferred share shall thereafter be reduced by the amount resulting from dividing the amount so paid to the holder as a return of capital, by the number of Class A preferred shares issued and outstanding on the date of such return of capital.

On January 24, 2019, the Company issued 1 share of Class A redeemable preferred stock upon the acquisition of Brainhunter.

Class B Redeemable Preferred Shares
On March 20, 2019, the Company amended its Articles to authorize the issuance of an unlimited number of shares of Class B redeemable preferred stock. The Class B preferred stock shall be entitled to receive non-cumulative annual dividends at the discretion of the directors. The holders of the Class B preferred stock have voting rights. The Company may redeem the Class B preferred stock upon giving ten (10) days written notice. The holder of the Class B preferred stock shall be entitled to require the Company to redeem at any time the whole or part of such holder's Class B preferred shares. Upon redemption, the Company shall pay to the holders of the Class B preferred stock to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of (i) all dividends declared thereon and unpaid and (ii) the Class B preferred stock redemption amount defined as the amount equal to the aggregate net fair market value of the consideration received by the Company on the issuance of all Class B preferred shares, divided by the number of all such shares issued as consideration therefor, provided that if, after the date on which the Class B preferred stock was issued, the Company pays to the holder of the Class B preferred stock a return of capital (otherwise than on a redemption of such shares), the Class B preferred stock redemption amount of each Class B preferred share shall thereafter be reduced by the amount resulting from dividing the amount so paid to the holder as a return of capital, by the number of Class B preferred shares issued and outstanding on the date of such return of capital.

As of March 31, 2019 there were no shares of Class B redeemable preferred stock issued and outstanding.

## NOTE 8 – STOCKHOLDER'S DEFICIT (continued)

Class C Redeemable Preferred Stock

On March 20, 2019, the Company amended its Articles to authorize the issuance of an unlimited number of shares of Class C redeemable preferred stock. The Class C preferred stock shall be entitled to receive non-cumulative annual dividends at the discretion of the directors and the shares do not have voting rights. The Company may redeem the Class C preferred stock upon giving ten (10) days written notice. The holder of the Class C preferred stock shall be entitled to require the Company to redeem at any time the whole or part of such holder's Class C preferred shares. Upon redemption, the Company shall pay to the holders of the Class C preferred stock to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of (i) all dividends declared thereon and unpaid and (ii) the Class C preferred stock redemption amount defined as the amount equal to the aggregate net fair market value of the consideration received by the Company on the issuance of all Class C preferred shares, divided by the number of all such shares issued as consideration therefor, provided that if, after the date on which the Class C preferred stock was issued, the Company pays to the holder of the Class C preferred stock a return of capital (otherwise than on a redemption of such shares), the Class C preferred stock redemption amount of each Class C preferred share shall thereafter be reduced by the amount resulting from dividing the amount so paid to the holder as a return of capital, by the number of Class C preferred shares issued and outstanding on the date of such return of capital.

As of March 31, 2019 there were no shares of Class C redeemable preferred stock issued and outstanding.

Liquidation Rights

If the Company is liquidated, dissolved or wound-up or its assets are otherwise distributed among the shareholders by way of repayment of capital, whether voluntary or involuntary (a) the holders of the Class A, Class B and Class C preferred stock shall be entitled to receive all declared and unpaid dividends, and the redemption amount applicable to each Class of preferred stock prior to any distribution of assets of the Company among the common stockholders, (b) the holders of the Class A, Class B and Class C preferred stock shall not be entitled to share any further in the distribution of the assets of the Company, (c) if there are insufficient assets to satisfy (a) then (i) the holders of the Class A preferred stock shall receive their entitlement prior to the holders of the Class B and Class C preferred stock, (ii) the holders of the Class B preferred stock shall receive their entitlement prior to the holders of the Class C preferred stock, and (iii) the holders of the Class C preferred stock receive their entitlement, and (d) thereafter the common stockholders shall be entitled to receive any remaining assets of the Company.

## NOTE 9 – OTHER RELATED PARTY TRANSACTIONS

The Company uses a related party vendor MFX Infotech Private Limited to provide infrastructure and database technology services. As of March 31, 2019 and 2018, accounts payable and accrued expenses of $4,400,314 and $4,378,416, respectively, were the total outstanding amounts payable to the vendor.

## NOTE 9 – OTHER RELATED PARTY TRANSACTIONS (continued)

As of March 31, 2019 and 2018, the Company also had other related party balances as follows:

| | 2019 | 2018 |
|---|---|---|
| Accounts receivable due from Quess Corp (USA) | $ 87,869 | $ 53,195 |
| Accounts receivable due from Brainhunter Systems | 250,300 | 250,300 |
| Advance to Brainhunter | 850,000 | 514,300 |
| Accounts payable due to Brainhunter Systems | (86,456) | (59,252) |
| Accrued expenses due to Brainhunter Systems | (5,412) | (158,391) |
| Due from related parties, net | $ 1,096,301 | $ 600,152 |

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

Concentrations

The Company had two and three customers that accounted for approximately 31% and 52% of the Company's revenues for the years ended March 31, 2019 and 2018, respectively. The Company had three customers that accounted for approximately 34% and 45% of total accounts receivable as of March 31, 2019 and 2018, respectively.

The Company utilized two major suppliers for outside services totaling approximately 55% and 44% of the Company's total expenditures for outside services for the years ended March 31, 2019 and 2018, respectively. The Company's two major suppliers accounted for approximately 52% and 51% of total accounts payable and accrued expenses as of March 31, 2019 and 2018, respectively.

Restructuring Charges

The Company accounts for restructuring activities in accordance with ASC 420, *Exit or Disposal Cost Obligations.* Under the guidance for the cost of restructuring activities that do not constitute a discontinued operation, the liability for the current fair value of expected future costs associated with such restructuring activity shall be recognized in the period in which the liability is incurred. The Company segregates the costs of restructuring activities taken pursuant to a management approved restructuring plan.

During December 2014, the Company's management initiated a restructuring plan to restore sustainable profitability and to improve its competitive position. Expenses related to this plan have resulted in a charge of $2,236,236 which primarily related to payroll severance expenses. The Company has a remaining reserve of $7,930 and $155,585 related to restructuring costs included in the accrued expenses on the balance sheet as of March 31, 2019 and 2018, respectively.

Operating leases

The Company leases certain of its properties under leases that expire on various dates through March 2024. In addition, the Company has entered into several agreements to lease office equipment and other software that are classified as operating leases that expire on various dates through year 2021. Rent expense incurred under the Company's operating leases amounted to $1,562,765 and $1,609,345 for the years ended March 31, 2019 and 2018, respectively.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

The future minimum obligations under leases with non-cancelable terms in excess of one year is as follows:

| Year ending March 31, | | |
|---|---|---|
| 2020 | $ | 1,283,437 |
| 2021 | | 1,153,230 |
| 2022 | | 299,511 |
| 2023 | | 251,475 |
| 2024 | | 253,870 |
| Thereafter | | - |
| Total | $ | 3,241,523 |

Share Purchase Agreement

On November 3, 2014, Fairfax Financial Holdings, Limited ("Fairfax"), the Company's parent, entered into a Share Purchase Agreement ("SPA") to sell one hundred percent (100%) of the Company's common stock to an affiliate of Fairfax. In accordance with the SPA, Fairfax sold forty nine percent (49%) of the Company's equity as of the first closing date of November 3, 2014. The remaining fifty one percent (51%) of the Company's common stock was sold as of January 1, 2016. The purchase price for the one hundred percent (100%) interest will be paid based upon defined earn out payments plus nominal upfront consideration. The earn out payments are based upon the Company's net income during a five year earn out period beginning January 1, 2016.

In accordance with the SPA, the buyer may, at its sole discretion, elect to pay up to eighty percent (80%) of the earn out payments in the form of the Company's Preferred Stock with the remaining portion paid in cash. Until the buyer satisfies the final earn out payment, the Company shall not make any amendment to the charter documents of the MFX Group or any other transaction that would require the approval of the Company Preferred Stock as a class (as if Company Preferred Stock was outstanding at the time of such amendment or transaction, whether or not in fact Company Preferred Stock is outstanding) without the prior written consent of Fairfax. The Company is restricted from paying any dividends or other distributions and not to redeem any shares until such time as the Revolving Facility has been repaid in full and all outstanding Company Preferred Stock have been redeemed. The Preferred Stock will include a 5% Fixed, cumulative, preferential cash dividends payable quarterly on the last day of March, June, September and December in each year at an annual rate of $0.50 per Preferred Share (pro-rated for the first period after issuance). The quarterly dividends will relate to the quarterly period ending the last day of the respective month. So long as the Preferred Stock is outstanding, the Company shall not without approval of the holders of a majority of the Preferred Stock: (a) pay any dividend or other distribution on the Common Stock or any other shares ranking junior to the Preferred Stock; (b) purchase, redeem or return capital in respect of any Common Stock or other shares ranking junior to the Preferred Stock; or (c) sell, transfer, lease, exchange or otherwise dispose of a material portion of the assets of the Company and/or its subsidiaries, on a consolidated basis. The Preferred Stock will rank prior to the Common Stock as to the payment of dividends and the distribution of assets on dissolution, liquidation or winding-up of the Company. The Preferred Stock will be redeemable at the option of the Company at any time at a price of $10.00 per share, plus accrued and unpaid dividends to the date of redemption and redeemable at the option of the holder at any time after the third anniversary of the date of issue of such shares at a price of $10.00 per share, plus accrued and unpaid dividends to the date of redemption.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)**

As of March 31, 2019, the Company has not amended the Articles of Incorporation to authorize the issuance of the above referenced Preferred Shares.

**NOTE 11 -INCOME TAXES**

For the years ended March 31, 2019 and 2018, the Company's effective tax rate was as follows:

| | 2019 | 2018 |
|---|---|---|
| Federal tax benefit at statutory rate | 25.00% | 25.00% |
| State tax benefit, net of Federal benefits | 5.00% | 5.00% |
| Net change in valuation allowance | -30.00% | -30.00% |
| Income taxes, net | 0.00% | 0.00% |

As of March 31, 2019 and 2018, the tax effects of temporary differences and carryforwards that gave rise to significant portions of the deferred tax assets and liabilities were as follows:

| | 2019 | 2018 |
|---|---|---|
| Net operating loss carry-forwards | $ 3,487,000 | $ 3,348,000 |
| Accrual and reserves | 4,634,000 | 5,055,000 |
| Total assets | 8,121,000 | 8,403,000 |
| Less, valuation allowance | 8,118,332 | 8,397,664 |
| Net deferred tax assets | $ 2,668 | $ 5,336 |

At March 31, 2019, MFXchange US, Inc. had federal net operating loss carryforwards ("NOL's") of approximately $14,134,000 that will be available to reduce future taxable income, if any. At March 31, 2019, MFXchange Holdings, Inc. had Canadian NOL's of $1,586,000 and capital loss allowance deductions of $11,914,000 available to reduce future taxable income, if any. The Company performs an analysis each year to determine whether the expected future income will more likely than not be sufficient to realize the deferred tax assets. The Company's recent operating results and projections of future income weighed heavily in the Company's overall assessment. A net tax benefit of $2,668 and $5,336 has been reported in the March 31, 2019 and 2018, respectively, financial statements, since the potential tax benefit is offset by a valuation allowance.

The change in valuation allowance for the years ended March 31, 2019 and 2018, was a decrease of $282,000 and $3,967,000 due to the continued likelihood that realization of any future benefit from deductible temporary differences and net operating loss carryforwards cannot be sufficiently assumed.

## NOTE 11 -INCOME TAXES (continued)

Pursuant to the Internal Revenue Code Section 382 ("Section 382"), certain ownership changes may subject the net operating loss carryforwards ("carryforwards") to annual limitations which could reduce or defer the carryforwards. Section 382 imposes limitations on a corporation's ability to utilize carryforwards if it experiences an ownership change. An ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of the carryforwards would be subject to an annual limitation under Section 382 determined by multiplying the value of its stock at the time of the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may be carried over to later years. The imposition of this limitation on its ability to use the carryforwards to offset future taxable income could cause the Company to pay U.S. federal income taxes earlier than if such limitation were not in effect and could cause such carryforwards to expire unused, reducing or eliminating the benefit of such carryforwards. The Company has not completed a Section 382 study on the net operating loss carryforwards of Brainhunter as of January 24, 2019, date of acquisition, and has not included the net operating losses in the calculation of deferred tax assets as they would be offset by a full valuation allowance.

As of March 31, 2019, open tax years include the tax years ended December 31, 2015 through December 31, 2018.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cut and Jobs Act (the "Tax Act"). The Tax Act establishes new tax laws that affects 2018 and future years, including a reduction in the U.S. federal corporate income tax rate to 21% effective January 1, 2018. For certain deferred tax assets and deferred tax liabilities, we have recorded a provisional decrease of $1,978,000, with a corresponding net adjustment to the valuation allowance of $1,978,000 as of March 31, 2018.

The Company applies the standard relating to accounting (ASC 740-10) for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is required to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. There were no significant unrecognized tax benefits recorded as of March 31, 2019 and 2018, and there was no change to the unrecognized tax benefits during for the years ended March 31, 2019 and 2018.

## NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date of identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

## NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As of March 31, 2019 and 2018, the Company did not identify any non-recurring assets and liabilities that are required to be presented in the balance sheets at fair value in accordance with ASC Topic 825, *Financial instruments*.

## NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions for potential recognition or disclosure through May 6, 2019, which is the date the financial statements were available to be issued. No subsequent events were noted.

# QUESS CORP LANKA (PRIVATE) LIMITED

# FINANCIAL STATEMENTS - 31 DECEMBER 2019

# QUESS CORP LANKA (PRIVATE) LIMITED

## FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 MARCH 2019

pwc

# QUESS CORP LANKA (PRIVATE) LIMITED

## FINANCIAL STATEMENTS

## FOR THE PERIOD FROM 1 APRIL 2018 TO 31 MARCH 2019

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**PAGE**

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## Independent auditor's report

## To the board of directors of Quess Corp Lanka (Private) Limited

*Our opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Quess Corp Lanka (Private) Limited ("the Company") as at March 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**What we have audited**

The financial statements of the Company, which comprise:

- the statement of financial position as at March 31, 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

*Basis for opinion*

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

**Independence**

We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

*Responsibilities of management and those charged with governance for the financial statements*

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## Independent auditor's report

## To the board of directors of Quess Corp Lanka (Private) Limited (Contd.)

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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

- Obtain 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 deficiencies in internal control that we identify during our audit.

## Independent auditor's report

## To the board of directors of Quess Corp Lanka (Private) Limited (Contd.)

### *Report on other legal and regulatory requirements*

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

### Basis of preparation and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2.1 to the special purpose financial statements, which describes the basis of accounting. This special purpose financial statements have been prepared for purposes of providing information to Quess Corp Limited to enable it to prepare the consolidated financial statements of the group as at 31 March 2019. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the board of directors of Quess Corp Lanka (Private) Limited and Quess Corp Limited and should not be distributed to or used by parties other than the board of directors of Quess Corp Lanka (Private) Limited and Quess Corp Limited.

29th April 2019
COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

# QUESS CORP LANKA (PRIVATE) LIMITED

## Statement of comprehensive income

**(all amounts in Sri Lanka Rupees)**

| | Note | 1 April to 31 March 2019 | 1 April to 31 March 2018 |
|---|---|---|---|
| Revenue from contract with customers | 7 | 156,443,593 | 117,245,383 |
| Administrative expenses | 8 | (121,424,699) | (59,122,774) |
| Operating profit | | 35,018,894 | 58,122,609 |
| Net finance income | 9 | 1,322,519 | 3,404,576 |
| Profit before income tax | | 36,341,413 | 61,527,185 |
| Income tax expense | 10 | (6,041,547) | (590,969) |
| **Profit for the year** | | **30,299,866** | **60,936,216** |
| Other comprehensive income/(loss) | | Nil | Nil |
| **Total comprehensive income/(expense)** | | **30,299,866** | **60,936,216** |
| Earnings per share | 11 | **24.91** | **50.10** |

The notes on pages 8 to 25 form an integral part of these financial statements.

Independent auditor's report - pages 1 - 3

# QUESS CORP LANKA (PRIVATE) LIMITED

## Statement of financial position

**(all amounts in Sri Lanka Rupees)**

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 2,369,202 | 2,707,224 |
| Intangible assets | 13 | Nil | Nil |
| Deferred income tax assets | 18 | 8,426,697 | 4,116,892 |
| | | 10,795,898 | 6,824,115 |
| **Current assets** | | | |
| Trade and other receivables | 14 | 318,545,570 | 239,918,761 |
| Cash and cash equivalents | 15 | 53,966,283 | 40,093,154 |
| | | 372,511,853 | 280,011,915 |
| **Total assets** | | **383,307,751** | **286,836,031** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Stated capital | 17 | 12,162,840 | 12,162,840 |
| Retained earnings | | 208,069,023 | 177,769,157 |
| Total equity | | 220,231,863 | 189,931,997 |
| **Non-current liabilities** | | | |
| Defined benefit obligations | 19 | 26,308,616 | 16,102,344 |
| | | 26,308,616 | 16,102,344 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 134,390,295 | 78,862,892 |
| Current income tax payable | 21 | 2,376,977 | 1,938,797 |
| | | 136,767,272 | 80,801,689 |
| **Total liabilities** | | **163,075,888** | **96,904,033** |
| **Total equity and liabilities** | | **383,307,751** | **286,836,031** |

I certify that these financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards.

.......................................
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorised for issue by Board of Directors on 29 April 2019.

....................................................

**Directors**

....................................................

The notes on pages 8 to 25 form an integral part of these financial statements.

Independent auditor's report - pages 1 - 3

# QUESS CORP LANKA (PRIVATE) LIMITED

## Statement of changes in equity

**(all amounts in Sri Lanka Rupees)**

| | Stated capital | Retained earnings | Total equity |
|---|---|---|---|
| Balance at 1 April 2017 | 12,162,840 | 116,832,941 | 128,995,781 |
| Profit for the year | Nil | 60,936,216 | 60,936,216 |
| Other comprehensive income | Nil | Nil | Nil |
| Total comprehensive expense | Nil | 60,936,216 | 60,936,216 |
| **Balance at 31 March 2018** | **12,162,840** | **177,769,157** | **189,931,997** |
| Balance at 1 April 2018 | 12,162,840 | 177,769,157 | 189,931,997 |
| Profit for the year | Nil | 30,299,866 | 30,299,866 |
| Other comprehensive income | Nil | Nil | Nil |
| Total comprehensive income | Nil | 30,299,866 | 30,299,866 |
| **Balance at 31 March 2019** | **12,162,840** | **208,069,023** | **220,231,863** |

The notes on pages 8 to 25 form an integral part of these financial statements.

Independent auditor's report - pages 1 - 3

# QUESS CORP LANKA (PRIVATE) LIMITED

## Statement of cash flows

**(all amounts in Sri Lanka Rupees)**

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated / (used in) from operations | 22 | 24,735,060 | (6,011,125) |
| Net finance income received | 9 | 1,322,519 | 3,404,576 |
| Income tax paid | | (9,913,172) | (11,074,670) |
| Retirement benefit obligation paid | | (1,561,742) | (7,547,874) |
| **Net cash generated / (used in) from operating activities** | | **14,582,665** | **(21,229,094)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12 | (709,535) | (2,742,732) |
| **Net cash used in investing activities** | | **(709,535)** | **(2,742,732)** |
| **Increase / (decrease) in cash and cash equivalents** | | **13,873,129** | **(23,971,826)** |
| **Movement in cash and cash equivalents** | | | |
| At beginning of the year | | 40,093,153 | 64,064,979 |
| Increase / (decrease) | | 13,873,129 | (23,971,826) |
| **At end of the year** | 15 | **53,966,283** | **40,093,153** |

The notes on pages 8 to 25 form an integral part of these financial statements.

Independent auditor's report - pages 1 - 3

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements

**(In the notes all amounts are shown in Sri Lanka Rupees unless otherwise stated)**

## 1 General information

The Company is a limited liability company incorporated in Sri Lanka and approved under section 16 of the BOI law. The company has been incorporated on 09 February 2004 and has its registered office at 7th Floor, BOC Merchant Tower, 28 St. Michael's Road, Colombo 03. The Company was formerly known as Randstad Lanka (Private) Limited and was acquired by Quess Corp Holdings PTE Ltd with effect from 26 April 2016. The company is engaged in the business of providing human resource services to clients.

Quess Corp Lanka (Private) Limited is a 100% subsidiary company of Quess Corp Holdings PTE Ltd, a company incorporated in Singapore while Ultimate Parent of the company is Quess Corp Limited, a company incorporated in India.

## 2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The financial statements are prepared by the management for purposes of providing information to Quess Corp Limited to enable it to prepare the consolidated financial statements of the group. The financial statements cover the year from 1 April 2018 to 31 March 2019. Comparative figures are for the period from 1 April 2017 to 31 March 2018.

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (LKASs and SLFRSs). The financial statements are prepared under the historical cost basis.

The preparation of financial statements in conformity with SLFRS/LKAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### 2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

## 2 Summary of significant accounting policies (Contd.)

### 2.3 Property, plant and equipment

All property, plant and equipment is initially recorded at cost and stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation begins when an item of property, plant and equipment is available for use and will continue until it is derecognised, even if during that period the item is idle.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is calculated on a straight line method to write off the cost of each asset to their residual values over their estimated useful lives or the lease term, whichever is lower.

| | % |
|---|---|
| Office equipment | 25 |
| Furniture and fittings | 25 |
| Computer equipment | 25 |

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

### 2.4 Intangible assets

Intangible assets wholly consist of computer software. Acquisition cost of computer software is capitalised and amortised using the straight-line method over the useful life of three years.

### 2.5 Impairment of non financial assets

Assets that have an indefinite useful life that intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

### 2.6 Financial assets

#### 2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

There were no financial assets other than loans and receivables at the statement of financial position date.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

## 2 Summary of significant accounting policies (Contd.)

### 2.6 Financial assets (Contd.)

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the statement of financial position date in which case classified as non-current assets.

### 2.6.2 Recognition and measurement of financial asset

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

During the reporting period, the Company did not record any financial assets that were available for sale or fair value through profit or loss or held to maturity.

### 2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.8 Impairment of financial assets

*Assets carried at amortised cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

*(i)* adverse changes in the payment status of borrowers in the portfolio; and

*(ii)* national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

## 2 Summary of significant accounting policies (Contd.)

### 2.8 Impairment of financial assets (Contd.)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

### 2.9 Financial liabilities

The Company's financial liabilities include trade and other payables. All other financial liabilities except for financial liabilities at fair value through profit or loss are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

### 2.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

of the loss is recognised in the income statement within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

### 2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### 2.12 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

## 2 Summary of significant accounting policies (Contd.)

### 2.13 Employee benefits

*(a) Defined benefit plan - gratuity*

Provision has been made for retirement gratuities from the first year of services for all employees in conformity with LKAS 19. However, under the payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability has not been externally funded nor actuarially valued.

*(b) Defined contribution plan*

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

### 2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.15 Revenue recognition

The revenue represents all billings made during the accounting period. The company is not in the practice of accounting for work-in-progress.

Revenue is recognised upon performance of service. Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

In agency relationships, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.

### 2.16 Current and deferred income taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

### 2.17 Stated capital

The Ordinary shares are classified under the stated capital.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

## 2 Summary of significant accounting policies (Contd.)

### 2.18 Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company recognises contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

## 3 Financial risk management

### 3.1 Financial risk factors

The Company is exposed to a variety of financial risks. These include foreign exchange risks, credit risks, interest rate risks, liquidity risks and investment risks. Based on our economic outlook and the Company's exposure to these risks, the Board of the Company approves various risk management strategies from time to time.

*(a) Market risk*

*(i) Foreign exchange risk*

The company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri Lankan Rupee (LKR) against the US Dollar (USD). The company's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances and trade and other payables are denominated in foreign currencies.

The Company's Financial Statements which are presented in Sri Lankan Rupees, are affected by foreign exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect the company's pricing of services rendered and cost incurred in foreign currencies. In particular, weakening of the Sri Lankan Rupee against the US Dollar can have adverse effects on the company's operating results through its impact on overheads incurred in Sri

The table below shows the Company's sensitivity to reasonable possible change in exchange rate of LKR against USD, assessed by the Company, while all other variables are held constant. The USD is the major currency in which Company's financial instruments are denominated after the Company's presentation and document currency - LKR. The impact of the movement in exchange rates on equity is given in the table below.

| | Increase in income LKR | Increase in income LKR |
|---|---|---|
| | **2019** | **2018** |
| 10% depreciation (2018 - 10% depreciation) of the LKR against USD | 46,308 | 42,098 |
| Net decrease in income | **46,308** | **42,098** |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

## 3 Financial risk management (Contd.)

### 3.1 Financial risk factors (Contd.)

*(ii)* Interest rate risk

The Company's interest rate risk arises from short - term borrowings. Borrowings issued at variable rates expose the company to interest rate risk which is determined by the Government Bond rate of the country in which the lender is domiciled.

*(b) Credit risk*

The credit risk arises from trade and other receivables. Refer Note 14(b) for further disclosures on credit risk.

*(c) Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

| At 31 March 2019 | Less than 1 year | Between 1 to 3 years | Total |
|---|---|---|---|
| Trade and other payables (excluding statutory liabilities) | 46,613,944 | Nil | 46,613,944 |
| | **46,613,944** | **Nil** | **46,613,944** |

| At 31 March 2018 | Less than 1 year | Between 1 to 3 years | Total |
|---|---|---|---|
| Trade and other payables (excluding statutory liabilities) | 42,016,805 | Nil | 42,016,805 |
| | **42,016,805** | **Nil** | **42,016,805** |

### 3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The company assesses solvency prior to declaration of dividend to maintain the dividend ratio. In addition the Company may adjust intercompany receivables and payables in managing capital and solvency.

### 3.3 Fair value estimation

The Company had no financial instruments measured at fair value.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

*(a) Impairment of trade receivable*

The Company assesses at the date of the statement of financial position whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of current status of existing receivable and historical collection experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

*(b) Provisions*

The Company recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each statement of financial position date and adjusted to reflect the Company's current best estimate.

### 5 Changes in comparatives

Where necessary, comparative figures have been re-classified since mangement believes such reclassification gives a farier presentation and conforms with the current year's presentation.

### 6 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations.

### 7 Revenue from contract with customers

| | 2019 | 2018 |
|---|---|---|
| Recruitment fee | 13,264,167 | 5,875,862 |
| Contract staffing | 139,541,114 | 109,297,094 |
| Facility management service | 3,638,312 | 2,072,426 |
| | **156,443,593** | **117,245,383** |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 8 Expenses by nature

| | 2019 | 2018 |
|---|---|---|
| Directors' emoluments | Nil | Nil |
| Auditors' remuneration - audit fee | 1,141,676 | 600,000 |
| - non-audit fee | Nil | Nil |
| Depreciation on property, plant and equipment (Note 12) | 1,047,558 | 814,411 |
| Amortisation on intangible assets (Note 13) | Nil | Nil |
| Staff costs (Note 8.1) | 58,491,689 | 39,527,873 |
| Consultancy charges | 978,012 | 185,370 |
| Rent - Office | 5,159,338 | 5,148,230 |
| Provision for impairment of trade receivables | 42,712,377 | 29,775 |
| Utilities | 1,981,918 | 2,159,741 |
| Rates and taxes | 589,237 | 986,035 |
| Travelling expenses - Local | 1,508,315 | 2,399,779 |
| Travelling expenses - Foreign | 1,222,120 | 526,533 |
| Advertisement | Nil | 13,500 |
| Printing and stationery | 768,333 | 888,779 |
| Database login charges | 2,079,491 | 1,447,852 |
| Insurance | 2,908,352 | 2,997,916 |
| Maintenance expenses | 249,346 | 456,027 |
| Other expenses | 586,937 | 940,952 |
| **Total administrative expenses** | **121,424,699** | **59,122,774** |

#### 8.1 Staff costs

| | 2019 | 2018 |
|---|---|---|
| Salaries and wages | 36,077,113 | 29,049,681 |
| Defined contribution plans | 2,338,091 | 2,121,417 |
| Defined benefit obligations (Note 19) | 11,768,014 | 6,000,000 |
| Staff incentive | 6,674,200 | 1,042,856 |
| Staff welfare | 1,634,271 | 1,313,919 |
| | **58,491,689** | **39,527,873** |

Average monthly number of persons employed by the Company during the period:

| | | |
|---|---|---|
| Full time | 30 | 30 |

### 9 Net finance (income)/costs

| | 2019 | 2018 |
|---|---|---|
| Bank charges | 636,810 | 841,183 |
| Net exchange gain | (3,021,073) | (4,863,418) |
| Interest expenses | 1,061,744 | 617,659 |
| | **(1,322,519)** | **(3,404,576)** |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 10 Income tax expense

| | 2019 | 2018 |
|---|---|---|
| Current income tax | 10,351,352 | 6,720,489 |
| Under / (over) provision in respect of previous year | Nil | (12,041,559) |
| Under provision of deemed dividend tax in respect of previous year | Nil | 3,150,083 |
| Deferred income tax (credit) / charge (Note 18) | (4,309,805) | 2,761,956 |
| **Income tax expense** | **6,041,547** | **590,969** |

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the basic rate of the Company as follows:

| | 2019 | 2018 |
|---|---|---|
| Profit before income tax | 36,341,413 | 61,527,185 |
| Tax calculated at tax rate of 10% (2018 - 12%) | 2,073,340 | 5,583,558 |
| Tax calculated at tax rate of 28% (2018 - 28%) | 424,660 | 1,136,931 |
| Tax effects of: | | |
| - Expenses not deductible for tax purposes | Nil | 379 |
| - Recognition of previously unrecognized deferred taxes | (4,309,805) | 2,761,578 |
| - Adjustment in respect of prior periods | | |
| - Under / (over) provision of income tax | Nil | (12,041,559) |
| - Deemed dividend tax | | |
| - Under provision of deemed dividend tax in respect of previous year | Nil | 3,150,083 |
| **Income tax expense** | **(1,811,805)** | **590,969** |

The tax rate applicable to profits and income on taxable profit from supply of labour is 10% ( 2018 - 10%).

### 11 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year, as follows:

| | 2019 | 2018 |
|---|---|---|
| Net profit attributable to shareholders | 30,299,866 | 60,936,216 |
| Weighted average number of ordinary shares in issue | 1,216,284 | 1,216,284 |
| **Earnings per share** | **24.91** | **50.10** |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 12 Property, plant and equipment

| | Office equipment | Furniture and fittings | Computer equipment | Total |
|---|---|---|---|---|
| **At 1 April 2017** | | | | |
| Cost | 705,783 | 332,465 | 3,214,483 | 4,252,731 |
| Accumulated depreciation | (705,783) | (315,513) | (2,452,532) | (3,473,828) |
| **Net book amount** | **Nil** | **16,952** | **761,951** | **778,903** |
| **Period ended 31 March 2018** | | | | |
| Opening net book amount | Nil | 16,952 | 761,951 | 778,903 |
| Additions | Nil | 1,151,895 | 1,590,837 | 2,742,732 |
| Depreciation charge (Note 8) | Nil | (278,028) | (536,383) | (814,411) |
| **Closing net book amount** | **Nil** | **890,819** | **1,816,405** | **2,707,224** |
| **At 31 March 2018** | | | | |
| Cost | 705,783 | 1,484,360 | 4,805,320 | 6,995,463 |
| Accumulated depreciation | (705,783) | (593,541) | (2,988,915) | (4,288,239) |
| **Net book amount** | **Nil** | **890,819** | **1,816,405** | **2,707,224** |
| **Year ended 31 March 2019** | | | | |
| Opening net book amount | Nil | 890,819 | 1,816,405 | 2,707,224 |
| Additions | 266,222 | 114,000 | 329,314 | 709,535 |
| Depreciation charge (Note 8) | (56,605) | (308,199) | (682,754) | (1,047,558) |
| **Closing net book amount** | **209,617** | **696,620** | **1,462,965** | **2,369,202** |
| **At 31 March 2019** | | | | |
| Cost | 972,005 | 1,598,360 | 5,134,634 | 7,704,998 |
| Accumulated depreciation | (762,388) | (901,740) | (3,671,669) | (5,335,797) |
| **Net book amount** | **209,617** | **696,620** | **1,462,965** | **2,369,202** |

Cost and accumulated depreciation include fully depreciated office equipment of Rs 705,783, furniture and fittings of Rs 332,465, and computer equipment of Rs 2,121,107 at at 31 March 2019.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 13 Intangible assets

| | Computer software | Total |
|---|---|---|
| **At 1 April 2017** | | |
| Cost | 677,633 | 677,633 |
| Accumulated amortisation | (677,633) | (677,633) |
| **Net book amount** | **Nil** | **Nil** |
| **Period ended 31 March 2018** | | |
| Opening net book amount | Nil | Nil |
| Amortisation charge (Note 8) | Nil | Nil |
| **Closing net book amount** | **Nil** | **Nil** |
| **At 31 March 2018** | | |
| Cost | 677,633 | 677,633 |
| Accumulated amortisation | (677,633) | (677,633) |
| **Net book amount** | **Nil** | **Nil** |
| **Year ended 31 March 2019** | | |
| Opening net book amount | Nil | Nil |
| Amortisation charge (Note 8) | Nil | Nil |
| **Closing net book amount** | **Nil** | **Nil** |
| **At 31 March 2019** | | |
| Cost | 677,633 | 677,633 |
| Accumulated amortisation | (677,633) | (677,633) |
| **Net book amount** | **Nil** | **Nil** |

Net book value consists of 'Sage UBS HRM System' for employee data management amounting to cost Rs 163,710 and accumulated depreciation Rs 163,710; and ' Sage UBS Payroll System' for employee salary recording amounting to cost Rs 96,390 and accumulated depreciation Rs 96,390. Cost and accumulated depreciation include fully depreciated computer software amounting to Rs 677,633.

### 14 Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| Trade receivables | 374,727,650 | 262,098,578 |
| Less: provision for impairment of trade receivables | (58,789,058) | (25,035,452) |
| Trade receivables - net | 315,938,592 | 237,063,126 |
| Prepayments | 471,025 | 248,230 |
| Deposits | 1,513,780 | 1,488,780 |
| Other receivables | 622,173 | 1,118,625 |
| | **318,545,570** | **239,918,761** |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 15 Trade and other receivables (Contd.)

The directors consider the carrying amount of the balance approximates its fair value. The carrying amounts of trade and other receivables are denominated in Sri Lanka Rupees.

Movement of the provision for impairment of trade receivables are as follows:

| | 2019 | 2018 |
|---|---|---|
| 1 April | 25,035,452 | 27,715,315 |
| Write off during the year | (8,958,771) | (2,709,638) |
| At beginning of year | 42,712,377 | 29,775 |
| **31 March** | **58,789,058** | **25,035,452** |

The creation and release of the provision for impaired receivables have been included in 'administrative expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Deposits mainly consist of refundable deposit made on building rent amounting to Rs 1,066,000 and Office premises Rs 417,780 (31 March 2018 - Rs 1,066,000). Further information in this regard is disclosed in Note 25(c).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 15 Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| Cash at bank | 47,466,283 | 39,593,154 |
| Short term deposits | 6,500,000 | 500,000 |
| Cash in hand | Nil | Nil |
| Cash at bank and in hand | **53,966,283** | **40,093,154** |

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise of the following:

| | 2019 | 2018 |
|---|---|---|
| Cash at bank and in hand | 47,466,283 | 39,593,154 |
| Short term deposits | 6,500,000 | 500,000 |
| | **53,966,283** | **40,093,154** |

### 16 (a) Financial instruments by category

| | Loans and receivables | Total |
|---|---|---|
| **31 March 2019** | | |
| **Assets as per statement of financial position** | | |
| Trade and other receivables (excluding prepayments) | 318,074,545 | 318,074,545 |
| Cash and cash equivalents (Note 15) | 53,966,283 | 53,966,283 |
| | **372,040,828** | **372,040,828** |

| | Other financial liabilities | Total |
|---|---|---|
| **31 March 2019** | | |
| **Liabilities as per statement of financial position** | | |
| Trade and other payables (excluding statutory liabilities) | 46,613,944 | 46,613,944 |
| | **46,613,944** | **46,613,944** |

| | Loans and receivables | Total |
|---|---|---|
| **31 March 2018** | | |
| **Assets as per statement of financial position** | | |
| Trade and other receivables (excluding prepayments) | 239,670,531 | 239,670,531 |
| Cash and cash equivalents (Note 15) | 40,093,154 | 40,093,154 |
| | **279,763,685** | **279,763,685** |

| | Other financial liabilities | Total |
|---|---|---|
| **31 March 2018** | | |
| **Liabilities as per statement of financial position** | | |
| Trade and other payables (excluding statutory liabilities) | 42,016,805 | 42,016,805 |
| | **42,016,805** | **42,016,805** |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 16 (b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | 2019 | 2018 |
|---|---|---|
| **Trade receivables** | | |
| *Counterparties without external credit rating* | | |
| Group 1 | 205,219,688 | 153,985,686 |
| Group 2 | 110,718,904 | 83,077,440 |
| **Total unimpaired trade receivables** | **315,938,592** | **237,063,126** |

| | 2019 | 2018 |
|---|---|---|
| ***Cash at bank*** | | |
| AA(lka) | 53,466,283 | 40,093,154 |
| AAA(lka) | 500,000 | Nil |
| **Total** | **53,966,283** | **40,093,154** |

- *Group 1 - Fully performing trade receivables (T to T + 3)*
- *Group 2 - Past due and not impaired (More than T to T + 3 but not impaired)*

### 17 Stated capital

| | Ordinary shares | |
|---|---|---|
| | Number of shares | Value |
| **Issued and fully paid** | | |
| At 31 March 2018 | 1,216,284 | 12,162,840 |
| **At 31 March 2019** | **1,216,284** | **12,162,840** |

### 18 Deferred income tax assets

Deferred income taxes are calculated on all temporary differences under the liability method using a weighted average tax rate of 10% (2018 - 10%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows :

| | 2019 | 2018 |
|---|---|---|
| Deferred tax assets | | |
| - Deferred tax asset to be recovered after more than 12 months | (8,426,697) | (4,116,892) |
| - Deferred tax asset to be recovered within 12 months | Nil | Nil |
| Deferred tax liabilities | | |
| - Deferred tax liability to be recovered after more than 12 months | Nil | Nil |
| - Deferred tax liability to be recovered within 12 months | Nil | Nil |
| Deferred tax liabilities / (assets) - net | **(8,426,697)** | **(4,116,892)** |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 18 Deferred income tax assets (Contd.)

The gross movement of the deferred tax account is as follows:

| | 2019 | 2018 |
|---|---|---|
| At 1 April 2018 | (4,116,892) | (6,878,848) |
| Credit to income statement (Note 10) | (4,309,805) | 2,761,956 |
| **At 31 March** | **(8,426,697)** | **(4,116,892)** |

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| Deferred tax liabilities/(assets) | Accelerated tax depreciation | Retirement benefit obligations | Provision for impairment of receivables | Total |
|---|---|---|---|---|
| At 1 April 2017 | 24,866 | (2,686,242) | (4,217,472) | (6,878,848) |
| Charge/(credit) to the income statement | (27,978) | 1,076,008 | 1,713,926 | 2,761,956 |
| **At 31 March 2018** | **(3,112)** | **(1,610,234)** | **(2,503,546)** | **(4,116,892)** |
| At 1 April 2018 | (3,112) | (1,610,234) | (2,503,546) | (4,116,892) |
| Charge/(credit) to the income statement | 86,183 | (1,020,627) | (3,375,360) | (4,309,805) |
| **At 31 March 2019** | **83,071** | **(2,630,861)** | **(5,878,906)** | **(8,426,697)** |

### 19 Defined benefit obligations

The amounts recognised in the statement of financial position are determined as follows:

| | 2019 | 2018 |
|---|---|---|
| At 1 April 2018 | 16,102,344 | 17,650,218 |
| Payments made during the year | (1,561,742) | (7,547,874) |
| Charge for the year | 11,768,014 | 6,000,000 |
| **At 31 March 2019** | **26,308,616** | **16,102,344** |

### 20 Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| Trade payables | 344,571 | 87,069 |
| Payables to related parties (Note 25(d)) | 46,269,373 | 41,929,736 |
| Accrued expenses and other payables | 87,776,351 | 36,846,087 |
| | **134,390,295** | **78,862,892** |

Other payables mainly consist of Salary payable amounting to Rs 31,630,816 (31 March 2018 - Rs 12,927,298), EPF payable amounting to Rs 12,115,566 (31 March 2018 - Rs 9,328,177) and VAT payable amounting to Rs 26,116,182 (31 March 2018 - Rs 6,513,414).

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 21 Current income tax liabilities

| | 2019 | 2018 |
|---|---|---|
| Balance at 1 April 2018 | 1,938,797 | 15,184,454 |
| Provision during the year | 10,351,352 | 6,720,489 |
| Under / (over) provision in respect of previous year | Nil | (12,041,559) |
| TDS claimed against tax payable | Nil | (1,839,535) |
| Income tax paid | -9,913,172 | -6,085,052 |
| **Balance at 31 March** | **2,376,977** | **1,938,797** |

### 22 Cash generated from / (used in) operations

Reconciliation of profit before income tax to cash generated from / (used in) operations:

| | 2019 | 2018 |
|---|---|---|
| Profit before income tax | 36,341,413 | 61,527,185 |
| Adjustments for: | | |
| Net finance income (Note 9) | (1,322,519) | (3,404,576) |
| Depreciation (Note 12) | 1,047,558 | 814,412 |
| Defined benefit obligations | 11,768,014 | 6,000,000 |
| Changes in working capital | | |
| - (Increase)/decrease in trade and other receivables | (78,626,809) | (117,524,334) |
| - Increase/(decrease) in trade and other payables | 55,527,403 | 46,576,188 |
| **Cash generated from / (used in) operations** | **24,735,060** | **(6,011,125)** |

### 23 Contingent liabilities

There were no material contingent liabilities outstanding at the statement of financial position date.

### 24 Commitments

**Capital commitments**

There were no material capital commitments outstanding at the statement of financial position date.

**Financial commitments**

There were no material financial commitments outstanding at the statement of financial position date.

### 25 Directors' interests in contracts and related party transactions

(a) The directors' interests in the shares of the Company on the statement of financial position date were as follows:

| | Number of shares | |
|---|---|---|
| | 2019 | 2018 |
| **Name of the directors** | | |
| Mr. Vijay Sivaram | Nil | Nil |
| Mr. Guruprasad Srinivasan | Nil | Nil |
| Mr. Amitabh Jaipuria | Nil | Nil |

# QUESS CORP LANKA (PRIVATE) LIMITED

## Notes to the financial statements (Contd.)

### 25 Directors' interests in contracts and related party transactions (Contd.)

**(b) Key management compensation**

Key management includes directors (executive and non executive), and other key management personnel. The compensation paid or payable to key management for employee services is shown here.

| | 2019 | 2018 |
|---|---|---|
| Salaries and other short term employee benefits | **Nil** | **Nil** |

**(c) Receivable from related parties**

| | 2019 | 2018 |
|---|---|---|
| Receivable from General Manager | 1,066,000 | 1,066,000 |
| | **1,066,000** | **1,066,000** |

**(d) Payable to related parties**

| | 2019 | 2018 |
|---|---|---|
| Quess Holdings PTE Ltd - Loan amount | 45,264,268 | 41,260,029 |
| - Interest payable | 1,005,104 | 669,707 |
| | **46,269,373** | **41,929,736** |

Loan is repayable within a period not exceeding twelve (12) months from the date of disbursement. Interest is payale monthly at the Government Bond rate of the country in which the lender is domiciled.

**(e) Transactions with related parties**

| | 2019 | 2018 |
|---|---|---|
| **Quess Holdings PTE Ltd** | | |
| Proceeds from short term loan | Nil | 24,582,515 |
| Translation of short term loan - Exchange loss | 3,334,533 | 3,030,306 |
| Provision for Interest on short term loan facility | 1,005,104 | 615,009 |
| | **4,339,637** | **28,227,830** |

### 26 Events after the reporting period

No significant events have occurred since the statement of financial position date, which would require adjustments to, or disclosure in the financial statements.

**Company No: 1127063 A**

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019**

**CONTENTS**

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31st March 2019.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are providing services and consultancy and secondment of staff in information technology solutions and software development.

There have been no significant changes in these activities during the financial year.

### FINANCIAL RESULTS

| | RM |
|---|---|
| Net profit for the financial year after income tax | 2,828,254 |

### DIVIDENDS

The directors did not propose any final dividends for the financial year ended 31st March 2019.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review.

### ISSUE OF SHARES

The Company did not issue any new shares during the financial year.

### DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to date of the report are:-

| | |
|---|---|
| Vijay Sivaram | |
| Amitabh Jaipuria | (Resigned : 30.9.2018) |
| Guruprasad Srinivasan | |

Company No: 1127063 A

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than disclosed in the Directors Remunerations in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations were as follows:-

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| | **As at 1.4.2018** | **Bought** | **Sold** | **As at 31.3.2019** |
| **Ultimate holding company-** | | | | |
| **Quess Corp Limited** | | | | |
| Vijay Sivaram | | | | |
| -Direct interest | 85,409 | 38,525 | (40,540) | 83,394 |
| Guruprasad Srinivasan | | | | |
| -Direct interest | 59,699 | 46,900 | (6,000) | 100,599 |

All the above directors have interest in shares of the Company to the extent of their shareholdings in ultimate holding company, Quess Corp Limited.

**DIRECTORS REMUNERATIONS**

The amounts of the remunerations of the directors of the Company comprising remuneration received from the Company during the year are as follows :

| | 2019 |
|---|---|
| | RM |
| Emoluments | 507,278 |

None of the directors of the Company have received any other benefits otherwise than in cash from the Company during the year.

No payment has been paid to or payable to any third party in respect of the services provided to the Company by the directors of the Company during the year.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts have been written off and adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability in respect of the Company which has arisen since the end of the financial year.

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the directors:

(a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

## INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during the year, for any person who is the director, officer or auditor of the Company.

## ULTIMATE HOLDING COMPANY

The directors regard Quess Corp Limited(Company No: U74140KA2007PLC043909), a company incorporated in India as the ultimate holding company.

## HOLDING COMPANY

The directors regard Quessglobal Holdings Pte Ltd(Company No: 201526129N), a company incorporated in Singapore as the holding company.

## AUDITORS REMUNERATIONS

Total amount paid to or receivable by the auditors as remuneration for their service as auditors is disclosed in Note 15 to the financial statements.

**AUDITORS**

The auditors, Messrs HALS & Associates have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 08 MAY 2019

Signed in accordance with a resolution of the directors:

| | | |
|---|---|---|
| VIJAY SIVARAM | ) | Directors |
| GURUPRASAD SRINIVASAN | ) | |

KUALA LUMPUR

Company No: 1127063 A

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019**

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 174,529 | 124,936 |
| Investment in associate | 8 | 122,500 | - |
| Total non-current assets | | 297,029 | 124,936 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 9 | 11,972,862 | 7,400,334 |
| Deposits and prepayments | | 451,074 | 185,002 |
| Cash and cash equivalents | 10 | 3,224,525 | 3,258,927 |
| Total current assets | | 15,648,461 | 10,844,263 |
| TOTAL ASSETS | | 15,945,490 | 10,969,199 |
| EQUITY | | | |
| Share capital | 11 | 500,000 | 500,000 |
| Retained profit | | 5,389,368 | 2,561,114 |
| Total equity | | 5,889,368 | 3,061,114 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 9,580,994 | 7,303,085 |
| Bank overdraft | 13 | 475,128 | - |
| Current tax liabilities | | - | 605,000 |
| Total current liabilities | | 10,056,122 | 7,908,085 |
| TOTAL LIABILITIES | | 10,056,122 | 7,908,085 |
| TOTAL EQUITY AND LIABILITIES | | 15,945,490 | 10,969,199 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 10 to 22.

Company No: 1127063 A

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31ST MARCH 2019**

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| REVENUE | 14 | 42,090,523 | 25,959,926 |
| Less: COST OF SALES | | (35,900,636) | (21,102,166) |
| GROSS PROFIT | | 6,189,887 | 4,857,760 |
| Other operating income | | 47,643 | - |
| Administrative expenses | | (3,269,533) | (2,345,894) |
| Profit from operations | 15 | 2,967,997 | 2,511,866 |
| Finance cost | 16 | (135,460) | (90,825) |
| Profit before taxation | | 2,832,537 | 2,421,041 |
| Taxation | 17 | (4,283) | (621,783) |
| Profit for the year | | 2,828,254 | 1,799,258 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 10 to 22.

Company No: 1127063 A

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31ST MARCH 2019**

| | Share Capital RM | Retained Earnings RM | Total equity RM |
|---|---|---|---|
| Balance at 1st April 2017 | 500,000 | 761,856 | 1,261,856 |
| Non-owner changes in equity | | | |
| Profit for the year | - | 1,799,258 | 1,799,258 |
| Total comprehensive income for the year | | 1,799,258 | 1,799,258 |
| Balance at 31st March 2018 | 500,000 | 2,561,114 | 3,061,114 |
| Non-owner changes in equity | | | |
| Profit for the year | - | 2,828,254 | 2,828,254 |
| Total comprehensive income for the year | - | 2,828,254 | 2,828,254 |
| Balance at 31st March 2019 | 500,000 | 5,389,368 | 5,889,368 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 10 to 22.

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31ST MARCH 2019**

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 2,832,537 | 2,421,041 |
| Adjustments for: | | | |
| Allowance for doubtful debts | | 28,126 | - |
| Bad debt written off | | 32,255 | 94,020 |
| Unrealised gain on foreign exchange | | (40,727) | - |
| Unrealised loss on foreign exchange | | 36,757 | - |
| Depreciation | | 56,368 | 35,657 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | 2,945,316 | 2,550,718 |
| Increase in receivables | | (4,895,011) | (2,529,359) |
| Increase in payables | | 2,277,909 | 2,713,920 |
| CASH GENERATED FROM OPERATING ACTIVITIES | | 328,214 | 2,735,279 |
| Tax paid | | (609,283) | (250,783) |
| NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES | | (281,069) | 2,484,496 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Investment in associate | | (122,500) | - |
| Purchase of property, plant and equipment | | (105,961) | (34,187) |
| NET CASH USED IN INVESTING ACTIVITIES | | (228,461) | (34,187) |
| Net (decrease)/increase in cash and cash equivalents | | (509,530) | 2,450,309 |
| Cash and cash equivalents at beginning of the year | | 3,258,927 | 808,618 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 18 | 2,749,397 | 3,258,927 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 10 to 22.

QUESSGLOBAL (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31[ST] MARCH 2019

## 1. GENERAL

The financial statements of the Company are presented in Ringgit Malaysia (RM) which is the Company's functional currency. All financial information is presented in RM.

The Company was incorporated and domiciled in Malaysia as a private company limited by shares. It is resident in Malaysia with its registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business at Unit 25-13A, Level 25, Q Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the Company are providing services and consultancy and secondment of staff in information technology solutions and software development. There have been no significant changes in these activities during the financial year.

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with Malaysian Private Entities Reporting Standard (MPERS) issued by Malaysian Accounting Standards Board's ("MASB") and the provisions of the Companies Act 2016.

## 4. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved by the Board of Directors for issuance on....0 8 MAY 2019....

## 5. BASIS OF PREPARATION

### 5.1 Basis of Measurement

The financial statements of the Company have been prepared using cost bases (which include historical cost, amortised cost, and lower of cost and net realizable value) and fair value bases.

### 5.2 Critical Judgements and Estimates Uncertainty

The preparation of the financial statements in conformity with MPERS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the financial statements other than as disclosed below:-

A. <u>Estimation Uncertainty</u>

(a) **Loss Allowance of Financial Assets**

The Company recognizes impairment losses for loans and receivables using the incurred loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Company's financial position and results.

(b) **Depreciation of Property, Plant and Equipment**

The cost of an item of property, plant and equipment is depreciated on the straight line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual value. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

(c) **Measurement of Income Taxes**

Significant judgement is required in determining the Company's provision for current and deferred taxes because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the taxes payable is determined with the tax authorities in each jurisdiction, the amounts might be different for the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period where such determination is made. The Company will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.

## 6. SIGNIFICANT ACCOUNTING POLICIES

### (a) Property, Plant and Equipment

#### (i) Recognition and Measurement

All property, plant and equipment are initially measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self constructed assets also includes the cost of direct and indirect cost of construction.

For an exchange of non-monetary assets that has a commercial substance, cost is measured by reference to the fair value of the asset received.

All property, plant and equipment are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amounts of property, plant and equipment and is recognized net within "other income" or "other expenses" respectively in profit or loss.

(ii) **Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized to profit or loss. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) **Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The annual rates used are as follows:-

| | % |
|---|---|
| Computer | 20 |
| Software | 20 |
| Furniture and fittings | 20 |

At the end of each reporting period, the residual values, useful life and depreciation method for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

(b) **Impairment of non-financial assets**

The carrying amounts of non-financial assets (ie. property, plant and equipment) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset, if an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and the value in use. The Company determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a sale agreement, (ii) market price traded in an active market; and (iii) estimate of market price using the best information available. The value in use is estimated by discounting the net cash inflows (by an appropriate pre-tax discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecast cash flows.

An impairment loss is recognized if the carrying amount of an asset or its related cash- generating unit exceeds its estimated recoverable amount.

For an asset measured on a cost-based model, any impairment loss is recognized in profit or loss. For a property, plant and equipment measured on the revaluation model, any impairment loss is treated as a revaluation decrease.

The Company reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognized previously may have reversed.

Any reversal of impairment loss for an asset carried at a cost-based model is recognized in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized previously.

(c) **Financial instruments**

(i) **Initial recognition and measurement**

A financial asset or financial liability is recognised in the statement of financial position when, and only when the Company becomes a party to the contractual provisions of the instruments.

A financial instrument is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is measured at fair value through profit or loss, transaction cost are expensed to profit or loss when incurred) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instruments.

(ii) **Subsequent measurement**

For the purpose of subsequent measurement, the Company classifies financial assets into two categories, namely: (i) financial assets at fair value through profit or loss, and (ii) financial assets at amortised costs.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 6c(v).

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

(iii) **Fair Value Measurement of Financial Instruments**

All other financial assets or liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit or loss.

The fair value is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique.

(iv) **Recognition of Gains and Losses**

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognized in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognized in profit or loss only when the financial asset or financial liability is derecognized or impaired, and through the amortization process of the instruments.

(v) **Impairment and Uncollectibility of Financial Assets**

The Company applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset (except for financial assets measured at fair value through profit or loss) or a group of financial assets is impaired.

An impairment loss is measured as follows:-

* For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

* For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

(vi) **Derecognition**

A financial asset or part of it is derecognized when, and only when, the contractual rights to the cash flows from the financial asset expire or are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of financial asset, the difference between the carrying amount of the financial asset derecognized and the consideration received, including any newly created rights, and obligations, is recognized in profit or loss.

A financial liability or part of it is derecognized when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(d) **Equity Instruments**

Ordinary shares classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(e) **Revenue Recognition**

Revenue from services rendered is recognized in profit or loss upon services rendered and acceptance by customers.

(f) **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized In profit or loss except to the extent that it relates to business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided by the balance sheet liability method based on all taxable temporary differences by comparing carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax is not recognized if the temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time the transaction, affects neither accounting profit nor taxable profits.

Deferred tax is measured at the tax rates that is expected to be applied to the temporary differences when they reverse, based on tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilized.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets , and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

(g) **Cash and Cash Equivalents**

Cash and cash equivalents consists of cash in hand, bank balances, deposits with bank and highly liquid investments with maturing within three months from the date of acquisition which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) **Employee Benefits**

(i) **Short term employee benefits**

Short term employee benefits in respect of wages, salaries, social security contributions, paid annual leaves, paid sick leaves, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed in the financial period when employees have rendered their services to the Company.

Bonuses are recognised as an expense when there is a present, legal or constructive obligations to make such payments, as a result of past services provided by employees and when a reliable estimate can be made of the amount of the obligations.

(ii) **Defined contribution plan**

The Company makes contributions to a statutory provident fund and recognise the contribution payable as an expense in the financial year in which the employees render their services. Once the contributions have been paid, the Company have no further payment obligations.

(i) **Associates**

Associates are entities including unincorporated entities in which the Company has significant influence but not control over the financial and operating policies.

Investments in associates are accounted for in the financial statements using the cost method less any impairment losses. Income is recognised only to the extent of dividend received.

(j) **Currency Conversion**

Transactions denominated in foreign currencies are translated and recorded at the exchange rates prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currency are retranslated at the rates prevailing at the end of the period (ie. closing rate). Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the dates the fair value were determined. Non-monetary items that are measured at their historical costs amounts continue to be translated at their respective historical rates and are not retranslated.

All exchange gain or losses, including those arising from translation, are taken up in profit or loss.

## 7. PROPERTY, PLANT AND EQUIPMENT

| Cost: | At 1st April 2018 RM | Addition RM | Disposal RM | At 31st March 2019 RM |
|---|---|---|---|---|
| Computer | 55,098 | 29,969 | - | 85,067 |
| Software | 20,670 | 8,168 | - | 28,838 |
| Furniture and fittings | 115,145 | 67,824 | - | 182,969 |
| Total | 190,913 | 105,961 | - | 296,874 |

| Accumulated Depreciation: | At 1st April 2018 RM | Charge for the year RM | Disposal RM | At 31st March 2019 RM | Carrying amount 31st March 2019 RM | Carrying amount 31st March 2018 RM |
|---|---|---|---|---|---|---|
| Computer | 14,933 | 15,186 | - | 30,119 | 54,948 | 40,165 |
| Software | 4,827 | 5,175 | - | 10,002 | 18,836 | 15,843 |
| Furniture and fittings | 46,217 | 36,007 | - | 82,224 | 100,745 | 68,928 |
| Total | 65,977 | 56,368 | - | 122,345 | 174,529 | 124,936 |

## 8. INVESTMENT IN ASSOCIATE

| | 2019 RM | 2018 RM |
|---|---|---|
| Investment in unquoted shares | 122,500 | - |

The details of associate are as follows :-

| Name of Entity | Country of Incorporation | Principal activities | Effective ownership interest 2019 % | 2018 % |
|---|---|---|---|---|
| Agensi Pekerjaan Quess Recruit Sdn Bhd | Malaysia | Dormant | 49 | - |

## 9. TRADE AND OTHER RECEIVABLES

| | 2019 RM | 2018 RM |
|---|---|---|
| Current: | | |
| Trade receivables | 11,065,844 | 7,156,864 |
| Other receivables | 169,820 | 243,470 |
| Amount due from related company | 765,324 | - |
| Total at cost | 12,000,988 | 7,400,334 |
| Less: | | |
| Accumulated impairment losses (**) | (28,126) | - |
| | 11,972,862 | 7,400,334 |

** Movement of impairment losses:

| | 2019 RM | 2018 RM |
|---|---|---|
| Balance at beginning of the year | - | 4,470 |
| Allowance/(Reversal) for doubtful debts recognised in in profit or loss | 28,126 | (4,470) |
| Balance at end of the year | 28,126 | - |

Other receivables and related company's balances represent non trade advances/loan made and are unsecured, interest free and repayable on demand.

## 10. CASH AND CASH EQUIVALENTS

| | 2019 RM | 2018 RM |
|---|---|---|
| Cash and bank balances | 3,224,525 | 2,959,492 |
| Short term deposit with licensed bank | - | 299,435 |
| | 3,224,525 | 3,258,927 |

## 11. SHARE CAPITAL

| | 2019 RM | 2018 RM |
|---|---|---|
| Issued and fully paid: | | |
| 500,000 Ordinary shares | 500,000 | 500,000 |

## 12. TRADE AND OTHER PAYABLES

| | 2019 RM | 2018 RM |
|---|---|---|
| Other payables and accruals | 2,869,951 | 1,907,903 |
| Amount due to holding company | 6,711,043 | 5,395,182 |
| | 9,580,994 | 7,303,085 |

Amount due to holding company represents loan/advances made and are unsecured, interest free and repayable on demand.

The directors regard Quess Corp Limited(Company No: U74140KA2007PLCO433909), a company incorporated in India as the ultimate holding company.

The directors regard Quessglobal Holdings Pte Ltd( Company No. 201526129N), a company incorporated in Singapore as the holding company.

Amount due to holding company represent loan/advances made and are unsecured, bears interest rate of 2.25% and repayable on demand.

## 13. BANK OVERDRAFT

The bank overdraft facility is guaranteed in the form of fresh corporate guarantee by the Company's ultimate holding company, Quess Corp Limited and bears interest rate of 2% plus bank's base lending rate("BLR")

## 14. REVENUE

Revenue represents the invoiced value of services rendered net of discounts.

## 15. PROFIT FROM OPERATIONS

| | 2019 RM | 2018 RM |
|---|---|---|
| Profit from operations before taxation is stated after charging/(crediting):- | | |
| Audit fee | | |
| - current year | 20,000 | 20,400 |
| - underprovision in prior year | - | 6,503 |
| Bad debts written off | 32,255 | 94,020 |
| Contribution to defined plan( "EPF") | 2,311,666 | 1,428,768 |
| Directors emoluments | 507,278 | 437,112 |
| Realised loss on foreign exchange | 19,879 | 1,841 |
| Realised gain on foreign exchange | (3,936) | - |
| Unrealised loss on foreign exchange | 36,757 | - |
| Unrealised gain on foreign exchange | (40,727) | - |

## 16. FINANCE COST

| | 2019 RM | 2018 RM |
|---|---|---|
| Interest charges | 135,460 | 90,825 |

## 17. TAXATION

| | 2019 RM | 2018 RM |
|---|---|---|
| Current year's provision | - | 605,000 |
| Underprovision in prior year | 4,283 | 16,783 |
| | 4,283 | 621,783 |

The Company has been granted Multimedia Supercoridor (MSC) status by the authority in previous financial year and eligible for pioneer status tax incentive from 7 July 2016 to 6 July 2021. As a result, the chargeable income of the Company are exempted from tax during the tax incentive period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:-

| | 2019 RM | 2018 RM |
|---|---|---|
| Profit before taxation | 2,832,537 | 2,421,041 |
| Taxation at Malaysian Statutory tax rate at 24% (2018: 24%) | 679,809 | 581,050 |
| Expenses not deductible for tax purposes | 40,505 | 21,632 |
| Underprovision of tax in prior year | 4,283 | 16,783 |
| Income exempted from tax | (720,736) | - |
| Deferred tax assets not recognised on property, plant and equipment | 422 | 2,318 |
| Tax expense for the year | 4,283 | 621,783 |

The above are subject to the approval of the tax authorities.

## 18 CASH AND CASH EQUIVALENTS

| | 2019 RM | 2018 RM |
|---|---|---|
| Cash and bank balances | 3,224,525 | 2,959,492 |
| Short term deposit with licensed bank | - | 299,435 |
| Less : Bank overdraft | (475,128) | - |
| | 2,749,397 | 3,258,927 |

## 19. FINANCIAL INSTRUMENTS

### 19.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorized as follows:-

(a) Financial assets and financial liabilities measured at amortised cost ("AC").

| 2019 | Carrying | |
|---|---|---|
| **Financial assets** | **Amount RM** | **AC RM** |
| Trade and other receivables | 11,972,862 | 11,972,862 |
| Deposit | 298,482 | 298,482 |
| Cash and cash equivalents | 3,224,525 | 3,224,525 |
| | 15,495,869 | 15,495,869 |
| **Financial liabilities** | | |
| Trade and other payables | 9,580,994 | 9,580,994 |
| Bank overdraft | 475,128 | 475,128 |
| | 10,056,122 | 10,056,122 |

| 2018 | Carrying | |
|---|---|---|
| **Financial assets** | **Amount RM** | **AC RM** |
| Trade and other receivables | 7,400,334 | 7,400,334 |
| Deposit | 185,002 | 185,002 |
| Cash and cash equivalents | 3,258,927 | 3,258,927 |
| | 10,844,263 | 10,844,263 |
| **Financial liabilities** | | |
| Trade and other payables | 7,303,085 | 7,303,085 |

## 20. RELATED PARTIES

The significant related parties transactions of the Company are disclosed below:-

| | 2019 | 2018 |
|---|---|---|
| | RM | RM |
| Key management personnel compensation | | |
| Directors:- | | |
| - Emoluments | 507,278 | 437,112 |
| Quessglobal Holdings Pte Ltd, holding company | | |
| - Interest charges | 134,068 | 90,825 |

The related parties balances are disclosed in Note 9 and 12 to the financial statements.

## 21. EMPLOYEE

The number of employees at the end of the financial year are as follows:-

| | 2019 | 2018 |
|---|---|---|
| | No | No |
| Directors | 2 | 3 |
| Employees | 845 | 679 |
| | 847 | 682 |

Company No: 1127063 A

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, VIJAY SIVARAM and GURUPRASAD SRINIVASAN , being two of the directors of QUESSGLOBAL (MALAYSIA) SDN. BHD., do hereby state that in our opinion, the financial statements set out on pages 6 to 22 are drawn up so as to give a true and fair view of the financial position of the Company as at 31st March 2019 and financial performance of the Company for the financial year ended 31st March 2019 in accordance with the Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated
0 8 MAY 2019

VIJAY SIVARAM

GURUPRASAD SRINIVASAN

KUALA LUMPUR

**STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, VIJAY SIVARAM, Passport No.Z5177137, being the director primarily responsible for the accounting records and financial management of QUESSGLOBAL (MALAYSIA) SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 6 to 22 of the Company are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in Wilayah Persekutuan on
0 8 MAY 2019

Before me,

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN YUSOFF
1 JAN 2019 - 31 DIS 2021
MALAYSIA

VIJAY SIVARAM

COMMISSIONER FOR OATHS

Lot 1.08, Tingkat 1
Bangunan KWSP , Jln Raja Laut
50350 Kuala Lumpur
Tel: 019 6680745

Company No: 1127063 A

HALS & Associates
Chartered Accountants
AF No: 0755

**INDEPENDENT AUDITORS' REPORT**
**TO THE MEMBERS OF**
**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Quessglobal ( Malaysia) Sdn. Bhd. which comprise the statement of financial position as at 31st March 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 22.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2019 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ('By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Suite 1602, 16th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur*
*Tel :03-27320322/03-21105545(Hunting) Fax :03-21423116*

**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain 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.

* Obtain 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 Company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

* Conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

* Evaluate the overall presentations, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Other Matters**

1 This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**HALS & ASSOCIATES**
**A.F. 0755**
**CHARTERED ACCOUNTANTS**

**Lim Kian Keong**
**Bil 02043/09/2020 J**
**Partner**

KUALA LUMPUR

DATE: **0 8 MAY 2019**

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**The pages which follow do not**

**form part of the Statutory**

**financial statements of the Company**

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**DETAILED INCOME STATEMENT**
**FOR THE YEAR ENDED 31ST MARCH 2019**

| | 2019 | 2018 |
|---|---|---|
| | RM | RM |
| REVENUE | 42,090,523 | 25,959,926 |
| Less: COST OF SALES | | |
| Contract salary and wages | (35,900,636) | (21,102,166) |
| GROSS PROFIT | 6,189,887 | 4,857,760 |
| OTHER INCOME | | |
| Miscellanous income | 47,643 | - |
| | 6,237,530 | 4,857,760 |
| Less: | | |
| ADMINISTRATIVE EXPENSES (Schedule I) | (3,269,533) | (2,345,894) |
| FINANCE COST (Schedule II) | (135,460) | (90,825) |
| | (3,404,993) | (2,436,719) |
| PROFIT BEFORE TAXATION | 2,832,537 | 2,421,041 |

Schedule I

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**ADMINISTRATIVE EXPENSES**
**FOR THE YEAR ENDED 31ST MARCH 2019**

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Allowance for doubtful debt | 28,126 | - |
| Bad debts written off | 32,255 | 94,020 |
| Accounting fee | - | 1,887 |
| Advertisement | 2,742 | 3,352 |
| Audit fee | | |
| - current year | 20,000 | 20,400 |
| - underprovision in prior year | - | 6,503 |
| Bank charges | 5,408 | 3,724 |
| Courier and postage | 4,172 | 5,105 |
| Depreciation | 56,368 | 35,657 |
| Directors emoluments | 507,278 | 437,112 |
| Electricity | 10,399 | 4,168 |
| EPF and Socso | 222,989 | 122,632 |
| General expenses | 435 | 919 |
| GST not claimable | (54) | 10,205 |
| Login cost | 94,031 | 218,907 |
| Maintenance | 61,568 | 11,786 |
| Office refreshment | - | 5,260 |
| Office rental | 159,527 | 98,826 |
| Penalty | 24,831 | - |
| Printing and stationery | 28,312 | 17,551 |
| Professional and legal fee | 33,591 | 10,862 |
| Recruiter incentive | | |
| - current year | - | 4,626 |
| - overprovided in prior year | - | (63,000) |
| Realised loss on foreign exchange | 19,879 | 1,841 |
| Salary, bonus and EIS | 1,695,258 | 1,119,582 |
| Secretarial fee | 5,184 | 23,750 |
| Staff welfare | 28,561 | 23,351 |
| Staff claim | | 28,742 |
| Telephone | 108,414 | 71,226 |
| Travelling expenses | 79,877 | 23,690 |
| Unrealised loss on foreign exchange | 36,757 | - |
| Upkeep of office | - | 618 |
| Work permit | 3,625 | 2,592 |
| | 3,269,533 | 2,345,894 |

**QUESSGLOBAL (MALAYSIA) SDN. BHD.**
(Incorporated in Malaysia)

**FINANCE COST**
**FOR THE YEAR ENDED 31ST MARCH 2019**

| | 2019 | 2018 |
|---|---|---|
| | RM | RM |
| Interest charges | 135,460 | 90,825 |

Caulfield International PAC
Chartered Accountants

# MONSTER.COM.SG PTE LIMITED

**Company Reg. No.: 200004227N**

## DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1 Coleman Street #05-05 The Adelphi Singapore 179803
Tel: (65) 6338 5213 / 6334 8791 Fax: (65) 6334 8075
Email: enquiry@jdt.com.sg
Incorporated with Limited liability Regn No.201431978R

**MONSTER.COM.SG PTE LIMITED**
**(Company Reg. No.: 200004227N)**

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**DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

CONTENTS

**MONSTER.COM.SG PTE LIMITED**
**(Company Reg. No.: 200004227N)**

**DIRECTORS' STATEMENT**
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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The directors are pleased to present their statement to the member together with the audited financial statements of Monster.com.sg Pte Limited (the "Company") for the financial year ended 31 March 2019.

## 1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and

(b) at the date of this statement, with the continuing financial support from the immediate holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Sandro Lang
Vijay Sivaram
Manoj Jain
Abhijeet Mukerjee
Keckeis Roman Werner

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial period had no interest of the share capital or debentures of the Company and its related corporation at the beginning and end of the financial period as recorded in the register of directors, shareholdings kept by the Company under section 164 of the Singapore Companies Act, Cap. 50.

## 5. SHARES OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF**

**MONSTER.COM.SG PTE LIMITED**

**Report on the Audit of The Financial Statements**

*Opinion*

We have audited the financial statements of Monster.com.sg Pte Limited (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Emphasis of Matter*

We draw attention to Note 2 in the notes to the financial statements, which indicates that the Company incurred a net loss of S$1,067,248 during the year ended 31 March 2019 and, as of that date, the Company's current liabilities exceeded its total assets by S$275,758 as at 31 March 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.



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Incorporated with Limited liability Regn No.201431978R

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The directors' responsibilities include overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements.*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducts in accordance with SSAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.



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- Obtain 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**CAULFIELD INTERNATIONAL PAC**
Public Accountants and
Chartered Accountants

Singapore

(Signing partner: Yeoh Boon Hon)



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Tel: (65) 6338 5213 / 6334 8791 Fax: (65) 6334 8075
Email: enquiry@jdt.com.sg
Incorporated with Limited liability Regn No.201431978R

**MONSTER.COM.SG PTE LIMITED**
**(Company Reg. No.:200004227N)**

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 MARCH 2019**

| | Note | 2019<br>S$ | 2018<br>S$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Plant and equipment | 4 | 17,667 | 32,616 |
| **Total non-current assets** | | 17,667 | 32,616 |
| | | | |
| **Current assets:** | | | |
| Trade and other receivables | 5 | 5,753,048 | 3,473,177 |
| Cash and cash equivalents | 6 | 2,169,120 | 3,472,369 |
| **Total current assets** | | 7,922,168 | 6,945,546 |
| | | | |
| **TOTAL ASSETS** | | 7,939,835 | 6,978,162 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 7 | 2 | 2 |
| (Accumulated losses) / Retained earnings | | (275,760) | 791,488 |
| **Total equity** | | (275,758) | 791,490 |
| | | | |
| **Current liabilities:** | | | |
| Trade and other payables | 8 | 8,189,003 | 6,067,519 |
| Income tax payable | | 26,590 | 119,153 |
| **Total current liabilities** | | 8,215,593 | 6,186,672 |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | 7,939,835 | 6,978,162 |

The accompanying notes form an integral part of these financial statements.

MONSTER.COM.SG PTE LIMITED
(Company Reg. No.:200004227N)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019 S$ | As restated 2018 S$ |
|---|---|---|---|
| Revenue | 9,22 | 5,120,229 | 7,494,024 |
| Other income | 10 | 88,970 | 90,813 |
| | | 5,209,199 | 7,584,837 |
| *Items of expense:* | | | |
| Sub-contractor charges | 22 | (1,219,541) | (2,194,037) |
| Employee benefits | 11 | (2,090,850) | (3,009,856) |
| Depreciation of plant and equipment | 4 | (14,949) | (9,244) |
| Selling and distributions costs | | (1,202,709) | (743,267) |
| Administrative expenses | | (1,748,398) | (725,452) |
| **(Loss) / Profit before imcome tax** | 12 | (1,067,248) | 902,981 |
| Income tax expense | 13 | - | (111,493) |
| **(Loss) / Profit after income tax** | | (1,067,248) | 791,488 |
| Other comprehensive income:- | | | |
| Item that may be reclassified subsequently to profit or loss | | - | - |
| Item that will not be reclassified subsequently to profit or loss | | - | - |
| Other comprehensive income, net of tax | | - | - |
| **Total comprehensive (loss) / income for the period** | | (1,067,248) | 791,488 |

The accompanying notes form an integral part of these financial statements.

MONSTER.COM.SG PTE LIMITED
(Company Reg. No.:200004227N)

## STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | Share capital S$ | (Accumulated losses) / Retained earnings S$ | Total S$ |
|---|---|---|---|---|
| Balance at 1 April 2018 | | 2 | 791,488 | 791,490 |
| Loss for the period, representing total comprehensive loss for the period | | - | (1,067,248) | (1,067,248) |
| **Balance at 31 March 2019** | | 2 | (275,760) | (275,758) |
| Balance at 1 January 2017 | | 2 | 6,677,974 | 6,677,976 |
| Profit for the period, representing total comprehensive income for the period | | - | 791,488 | 791,488 |
| Dividend paid | 14 | - | (6,677,974) | (6,677,974) |
| **Balance at 31 March 2018** | | 2 | 791,488 | 791,490 |

The accompanying notes form an integral part of these financial statements.

MONSTER.COM.SG PTE LIMITED
(Company Reg. No.:200004227N)

## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

| | Note | 2019 S$ | 2018 S$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss) / Profit after income tax | | (1,067,248) | 791,488 |
| *Adjustments for:* | | | |
| Bad debts recoveries | | - | (17,686) |
| Bad debts written off | | - | 2,450 |
| Depreciation of plant and equipment | 4 | 14,949 | 9,244 |
| Impairment loss on trade receivables | | 11,050 | - |
| Interest income | | - | (14,735) |
| Income tax expense | | - | 111,493 |
| | | (1,041,249) | 882,254 |
| *Changes in working capital:* | | | |
| Decrease / (Increase) in trade and other receivables | | (2,290,921) | 506,691 |
| Increase / (Decrease) in trade and other payables | | 2,121,484 | (1,093,998) |
| **Cash (used in) / generated from operations** | | (1,210,686) | 294,947 |
| Withholding tax paid | | - | (481) |
| Income tax refund | | - | 30,440 |
| Income tax paid | | (92,563) | (178,235) |
| **Net cash (used in) / generated from operating activities** | | (1,303,249) | 146,671 |
| **Cash flows from investing activities** | | | |
| Acquisition of plant and equipment | 4 | - | (23,185) |
| **Net cash used in investing activities** | | - | (23,185) |
| **Cash flows from financing activities** | | | |
| Dividend paid | 14 | - | (6,677,974) |
| Interest income received | | - | 14,735 |
| **Net cash used in financing activities** | | - | (6,663,239) |
| **Net decrease in cash and cash equivalents** | | (1,303,249) | (6,539,753) |
| **Cash and cash equivalents at beginning of the period** | | 3,472,369 | 10,012,122 |
| **Cash and cash equivalents at end of the period** | | 2,169,120 | 3,472,369 |

## 1. GENERAL

The Company is a private company limited by shares, and incorporated and domiciled in the Republic of Singapore.

The registered office and principal place of business address is 100 Beach Road #27-08/13 Shaw Tower Singapore 189702.

The immediate holding and ultimate holding companies are Quesscorp Holdings Pte Ltd, a company incorporated in Singapore and Quess Corp Limited, a company incorporated in India, respectively.

The principal activities of the Company are those of the business of a web-based employment placement and career services agency. There have been no significant changes in the nature of these activities during the financial period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements of the Company have been drawn up in accordance with Financial Reporting Standards in Singapore (FRSs). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (S$), which is the Company's functional currency. All financial information presented in Singapore Dollars, unless otherwise indicated.

### GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis notwithstanding the net liabilities of S$275,758 as at 31 March 2019. These factors indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the undertaking of its immediate holding company, Quesscorp Holdings Pte. Ltd., to provide continuing financial support to enable the Company to meet its liabilities as and when they fall due.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

### ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 April 2018. Except for the adoption of FRS 109 *Financial Instruments* and FRS 115 *Revenue from Contracts with Customers* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS – CONTINUED

(a) FRS 115 *Revenue from Contracts with Customers*

FRS 115 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five -step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application did not have impact to the the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and related interpretations.

However, the adoption of FRS 115 has no significant effects on the Company's accounts for both years except for the reclassification of deferred income of S$2,905,860 in 2017 to contract liabilities.

(b) FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 January 2019. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39.

However, the adoption of FRS 109 has no significant effects on the Company's accounts for both years.

### STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. The Company does not plan to early adopt these standards.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### STANDARDS ISSUED BUT NOT YET EFFECTIVE – CONTINUED

| Reference | Description | Effective for annual periods beginning on or after |
|---|---|---|
| FRS 116 | Leases | 1 Jan 2019 |
| INT FRS 123 | Uncertainty over income tax | 1 Jan 2019 |
| Amendments to FRS 28 | Investments in Associate (Long term interests in associates and Joint Venture) | |
| Amendments to FRS 19 | Employee benefits (Plan amendments curtailment or settlement) | 1 Jan 2019 |
| Amendments to FRS 109 | Prepayment Features with Negative Compensation | 1 Jan 2019 |
| Annual improvement 2019 | | |
| FRS 103 | Business combination (Previously held interest in a joint operation) | 1 Jan 2019 |
| FRS 111 | Joint arrangement (Previously held interest in a joint operation) | 1 Jan 2019 |
| FRS 112 | Income taxes (Income tax consequences of payments on financial instruments classified as equity) | 1 Jan 2019 |
| FRS 23 | Borrowing costs (Borrowing costs eligible for capitalisation) | 1 Jan 2019 |
| Amendments to FRS 103 | Business Combinations (Definition of a business) | 1 Jan 2020 |
| FRS 117 | Insurance contracts | 1 Jan 2021 |
| FRS 110 | Consolidated financial statement and FRS 28 Investment in associates and joint venture (Sale or contribution of assets between an investor and its associate or joint venture) | To be determined |

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of 116 is described below.

*FRS 116 Leases*
FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the initial application of the new FRS 116 will likely result in changes to the accounting policies relating to the Company's leases. Management does not intend to early adopt FRS 116, which is effective from financial year beginning 1 January 2019 and will perform a detailed assessment of the possible impact of implementing FRS 116 before its implementation date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**FINANCIAL INSTRUMENTS**

(a) These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

**a) Financial assets**

**Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

**Subsequent measurement**

*Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, Fair value through other comprehensive income (FVOCI) and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

**Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**FINANCIAL INSTRUMENTS – CONTINUED**

**b) Financial liabilities – Continued**
**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(b) These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

**a) Financial assets**
**Initial recognition and measurement**

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

*Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise trade and other receivables and cash and cash equivalents. Cash and cash equivalents comprise cash at bank, fixed deposits and cash on hand.

**De-recognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**FINANCIAL INSTRUMENTS – CONTINUED**

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Such financial liabilities comprise trade and other payables.

**De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**IMPAIRMENT OF FINANCIAL ASSETS**

<u>(a) These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:</u>

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 -months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**IMPAIRMENT OF FINANCIAL ASSETS– CONTINUED**

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**CASH AND CASH EQUIVALENTS**

Cash and bank balances in the statement of financial position comprise cash on hand, cash at bank and demand deposits which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank and fixed deposits.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### CONTRACT LIABILITIES

**Contract assets**
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**Trade receivables**
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Section Financial instruments – initial recognition and subsequent measurement.

**Contract liabilities**
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from customer. If customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

### EFFECTIVE INTEREST METHOD
The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

### PLANT AND EQUIPMENT
All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | Useful lives (years) |
|---|---|
| Leasehold improvement | 3 |
| Computer and office equipment | 3 - 4 |
| Furniture & fittings | 3 |

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### PLANT AND EQUIPMENT – CONTINUED

The useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, (or, where applicable, when an annual impairment testing for an asset is required), the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### PROVISIONS

**General**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### SHARE CAPITAL

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**DIVIDENDS**

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Articles of Association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

**REVENUE RECOGNITION**

(a) These accounting policies are applied after the initial application date of FRS 115, 1 January 2018:

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time.

The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

**(a) Rendering of services**

Service income is recognised over the period which the service term relates to. Service fee revenue received and relating to future periods is carried forward to future periods as deferred income.

**(b) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

(b) These accounting policies are applied before the initial application date of FRS 115, 1 January 2018:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**(a) Rendering of services**

Services rendered are accounted for separately in the transaction price and it is supported by contracts with the customers. In accordance with FRS115, the Company has recognised the revenue only when they have satisfied the performance obligation promised in the contract.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### REVENUE RECOGNITION – CONTINUED

**(b) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

### GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

### EMPLOYEE BENEFITS

**a) Defined contribution plans**

The Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**b) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**c) Key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling the activities of the entity.

Directors are considered key management personnel.

### RELATED PARTIES

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Company if that person:
   (i) Has control or joint control over the Company;
   (ii) Has significant influence over the Company; or
   (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### RELATED PARTIES – CONTINUED

b) An entity is related to the Company if any of the followings conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or jointly venture of the other entity (or an associate or joint ventures of a member of a group of which the other entity is a member).

(iii) Both entities are joint venture of the same third party.

(iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefits plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### OPERATING LEASES - AS LESSEE

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### TAXES

**a) Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 by the end of the reporting period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**TAXES – CONTINUED**

**b) Deferred tax – Continued**

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax asset is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**c) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### a) Judgement made in applying accounting policies

**Determination of functional currency**

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

### b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Useful lives of plant and equipment

The useful life of an item of plant and equipment is estimated at the time the asset is acquired and is based on historical experience with similar assets and takes into account anticipated technological or other changes. If changes occur more rapidly than anticipated or the asset experiences unexpected level of wear and tear, the useful life will be adjusted accordingly. The carrying amount of the Company's plant and equipment as at 31 March 2019 was S$17,667 (2018: S$32,616).

(ii) Provision for expected credit losses (ECLs) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES – CONTINUED

### b) Key sources of estimation uncertainty – Continued

(ii) Provision for expected credit losses (ECLs) of trade receivables – Continued

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 17 (a). The carrying amount of the Company's trade receivables as at 31 March 2019 was S$5,253,722 (2018: S$3,237,770).

(iii) Income tax payable

The Company recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The provision for the Company's income tax as at 31 March 2019 was S$26,590 (2018: S$119,153).

## 4. PLANT AND EQUIPMENT

| | Leasehold improvement S$ | Computers & office equipment S$ | Furniture & fittings S$ | Total S$ |
|---|---|---|---|---|
| **Costs** | | | | |
| As at 31.12.2016 | 172,449 | 116,359 | 42,193 | 331,001 |
| Additions | - | 23,185 | - | 23,185 |
| As at 31.03.2018 | 172,449 | 139,544 | 42,193 | 354,186 |
| Additions/(disposal) | - | - | - | - |
| As at 31.03.2019 | 172,449 | 139,544 | 42,193 | 354,186 |
| **Accumulated depreciation** | | | | |
| As at 31.12.2016 | 172,449 | 99,516 | 40,361 | 312,326 |
| Depreciation Charge (Note 12) | - | 9,244 | - | 9,244 |
| As at 31.03.2018 | 172,449 | 108,760 | 40,361 | 321,570 |
| Depreciation Charge (Note 12) | - | 13,170 | 1,779 | 14,949 |
| As at 31.03.2019 | 172,449 | 121,930 | 42,140 | 336,519 |
| **Net carrying value** | | | | |
| As at 31.03.2019 | - | 17,614 | 53 | 17,667 |
| As at 31.03.2018 | - | 30,784 | 1,832 | 32,616 |

## 5. TRADE AND OTHER RECEIVABLES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Trade receivables: | | |
| - Third parties | 2,012,507 | 1,810,017 |
| Less: Allowance of expected credit loss | (11,500) | - |
| | 2,001,007 | 1,810,017 |
| - Fellow subsidiaries | 3,252,715 | 1,427,753 |
| | 5,253,722 | 3,237,770 |
| Deposits | 71,380 | 71,380 |
| Prepayments | 13,117 | 10,216 |
| Advance payment | 252,440 | - |
| Deferred commission | 162,389 | 153,811 |
| | 5,753,048 | 3,473,177 |

Third party trade receivables are non-interest bearing and generally on 30 to 120 (2018: 30 - 120) days' term.

Commission expenses incurred and relating to future periods are carried forward to future periods as deferred commission.

Trade amount due from fellow subsidiaries are non-trade, interest-free, and recoverable on demand.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL was as follows:

| | 2019 S$ |
|---|---|
| Movement in allowance accounts: | |
| At 31 March 2018 under FRS 39 | - |
| Effect of adopting FRS 109 | - |
| At 1 April 2018 under FRS 109 | - |
| Allowance made | 11,500 |
| At end of financial year | 11,500 |

## 6. CASH AND CASH EQUIVALENTS

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Cash on hand | 19 | 19 |
| Cash at bank | 747,387 | 721,762 |
| Fixed deposits | 1,421,714 | 2,750,588 |
| | 2,169,120 | 3,472,369 |

The fixed deposits have maturity term of 6 months (2018: 6 months) from the end of the financial period. The average interest rate of the fixed deposits is 1.77% (2018: 1.30%) per annum.

## 7. SHARE CAPITAL

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of ordinary shares | S$ | Number of ordinary shares | S$ |
| Issued and fully paid | | | | |
| Balance as at beginning / end of financial year | 2 | 2 | 2 | 2 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meeting. All shares rank equally with regards to the Company's residual assets. The ordinary shares have no par value.

## 8. TRADE AND OTHER PAYABLES

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Trade payables | | |
| - Third party | 148,756 | 63,422 |
| - Fellow subsidiaries | 4,037,275 | 2,115,963 |
| | 4,186,031 | 2,179,385 |
| Accruals | 1,099,630 | 899,987 |
| Contract liabilities | 2,849,229 | 2,905,860 |
| GST payables | 54,113 | 82,287 |
| | 8,189,003 | 6,067,519 |

The trade amounts due to third party and fellow subsidiaries are unsecured, non-interest bearing and are repayable on demand.

## 9. REVENUE

| | 2019 S$ | As restated 2018 S$ |
|---|---|---|
| Service income (Note 22) | 5,120,229 | 7,494,024 |

## 10. OTHER INCOME

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Bad debts recoveries | - | 17,686 |
| Fixed deposits interest income | 41,931 | 14,735 |
| Foreign exchange gain | 45,222 | - |
| Loan interest income | - | 49,941 |
| Other income | 1,817 | 8,451 |
| | 88,970 | 90,813 |

## 11. EMPLOYEE BENEFITS

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Director's remuneration | | |
| Defined contribution plan (Note 15) | - | 18,361 |
| Salaries and bonus (Note 15) | - | 294,755 |
| Other key management personnel: | | |
| Defined contribution plan (Note 15) | 17,470 | - |
| Salaries and other short-term benefits (Note 15) | 265,480 | - |
| Staffs' salaries and other related costs: | | |
| Defined contribution plan | 93,697 | 139,796 |
| Salaries and bonus | 1,602,103 | 2,069,894 |
| Commission | 41,040 | 425,586 |
| Staffs' welfare | 71,060 | 61,464 |
| | 2,090,850 | 3,009,856 |

## 12. (LOSS) / PROFIT BEFORE INCOME TAX

(Loss) / Profit before income tax has been arrived at after charging:

| | 2019 S$ | As restated 2018 S$ |
|---|---|---|
| Branding costs | 559,435 | - |
| Communication expenses | 62,275 | 83,499 |
| Consultancy fee | 1,399,099 | - |
| Depreciation of plant and equipment (Note 4) | 14,949 | 9,244 |
| Employee benefits (Note 11) | 2,090,850 | 3,009,856 |
| IT related expenses | - | 89,399 |
| Office rental | 117,988 | 327,989 |
| Royalty & IT services | - | 76,778 |
| Sub-contractor charges (Note 22) | 1,219,541 | 2,194,037 |
| Travel expenses | 45,372 | 25,902 |

## 13. INCOME TAX EXPENSE

The major components of income tax expense recognised in profit or loss for the financial years ended 31 March 2019 and 2018 were as follows:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Current income tax: | | |
| - Current period | - | (119,153) |
| - Over provision for prior years | - | 7,660 |
| Income tax expense recognised in profit or loss | - | (111,493) |

Relationship between tax expense and accounting (loss) / profit

A reconciliation between tax expense and the product of accounting (loss) / profit multiplied by the applicable corporate tax rate for the financial period ended 31 March 2019 and 2018 were as follows:

## 13. INCOME TAX EXPENSE – CONTINUED

| | 2019 S$ | 2018 S$ |
|---|---|---|
| (Loss) / Profit before income tax | (1,067,248) | 902,981 |
| Tax at the statutory tax rate 17% (2018: 17%) | 181,432 | (153,507) |
| Adjustments: | | |
| Tax effect on non-deductible expenses | (2,544) | (1,571) |
| Statutory income exemption | - | 25,925 |
| Corporate income tax rebate | - | 10,000 |
| Over provision of income tax in respect of prior years | - | 7,660 |
| Deferred tax assets on temporary difference not recognised | (178,888) | - |
| Income tax expense recognised in profit or loss | - | (111,493) |

## 14. DIVIDEND PAID

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Dividend on ordinary shares: | | |
| Declared and paid during the financial period | | |
| Interim exempt (one-tier) dividend for the financial period ended 31 March 2019 at S$NIL (2018: S$3,338,987) per share | - | 6,677,974 |

## 15. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions with related parties took place at terms agreed between the parties during the financial year:

| | 2019 S$ | 2018 S$ |
|---|---|---|
| Sales transferred from fellow subsidiaries | 961,546 | 1,440,951 |
| Sub-contractor charges by fellow subsidiaries | (1,157,790) | (2,082,121) |
| Sales to a fellow subsidiary | 52,846 | - |
| Sales support fees payable to fellow subsidiaries | (37,581) | (58,441) |
| Sales support fees recoverable from fellow subsidiaries | 62,276 | 122,197 |
| Payment on behalf by a fellow subsidiary | (682,151) | (1,213,287) |
| Staffs' costs charged to fellow subsidiary | 163,639 | - |
| Consultancy fee charged by a fellow subsidiary | 1,399,099 | - |
| Collection on behalf by a fellow subsidiary | 323,273 | 341,637 |
| Advance to a fellow subsidiary | 40,000 | - |
| Payment on behalf for fellow subsidiaries | 217,759 | 111,948 |
| Other income recoverable from a fellow subsidiary | - | 8,105 |

## 15. RELATED PARTY TRANSACTIONS – CONTINUED

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| Key management personnel compensation: | | |
| Director's remuneration: | | |
| Salaries and bonus (Note 11) | - | 294,755 |
| Defined contribution plan (Note 11) | - | 18,361 |
| Other key management personnel: | | |
| Defined contribution plan (Note 11) | 17,470 | - |
| Salaries and other short-term benefits (Note 11) | 265,480 | - |

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

## 16. OPERATING LEASE COMMITMENTS

The Company leases the office premise under non-cancellable operating lease agreement. This lease has varying terms, escalation clauses and renewal rights.

The future minimum rental payable under non-cancellable operating lease contracted for at the reporting date but not recognised as liabilities, are as follows:

| | 2019<br>S$ | 2018<br>S$ |
|---|---|---|
| As lessee: | | |
| Not later than one year | 112,272 | 23,858 |
| Later than one year but not later than five years | 18,712 | - |
| | 130,984 | 23,858 |

Lease is negotiated for a term of 2 (2018: 2) years and rentals are fixed for a term of 2 (2018: 2) years with no option to renew the lease and no provisions for contingent rent or upwards revision of rent based on market price indices.

Minimum lease payments recognised as an expense in profit or loss for the financial period ended 31 March 2019 amounted to S$117,418 (2018: S$190,862).

## 17. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

## 17. FINANCIAL RISK MANAGEMENT – CONTINUED

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

### a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables and loan to the immediate holding company. For other financial assets (including cash and cash equivalents), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor;

## 17. FINANCIAL RISK MANAGEMENT – CONTINUED

### a) Credit risk – Continued

- A breach of contract, such as a default or past due event;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- There is a disappearance of an active market for that financial asset because of financial difficulty;

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Company's current credit risk grading framework comprises the following categories:

| Category | Definition of category | Basis for recognising expected credit loss (ECL) |
|---|---|---|
| I | Counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| II | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| III | Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default). | Lifetime ECL – credit-impaired |
| IV | There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. | Amount is written off |

Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

<u>Excessive risk concentration</u>
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

<u>Exposure to credit risk</u>
The Company has no significant concentration of credit risk other than those balances with fellow subsidiaries comprising 62% (2018: 44%) of trade receivables. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

### b) Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles.

## 17. FINANCIAL RISK MANAGEMENT – CONTINUED

### b) Liquidity risk – Continued

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company finances its working capital requirements through its funds generated from operations. The directors are satisfied that funds are available to finance the operations of the Company.

*Analysis of financial instruments by remaining contractual maturities*

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

| 2019 | Carrying amount S$ | Contractual cash flows S$ | One year or less S$ |
|---|---|---|---|
| **Financial assets** | | | |
| Trade and other receivables [(a)] | 5,325,102 | 5,325,102 | 5,325,102 |
| Cash and cash equivalents | 2,169,120 | 2,179,309 | 2,179,309 |
| Total undiscounted financial assets | 7,494,222 | 7,504,411 | 7,504,411 |
| **Financial liabilities** | | | |
| Trade and other payables [(b)] | 5,285,661 | 5,285,661 | 5,285,661 |
| Total undiscounted financial liabilities | 5,285,661 | 5,285,661 | 5,285,661 |
| Total net undiscounted financial assets | 5,285,661 | 2,218,750 | 2,218,750 |
| **2018** | | | |
| **Financial assets** | | | |
| Trade and other receivables [(a)] | 3,309,150 | 3,309,150 | 3,309,150 |
| Cash and cash equivalents | 3,472,369 | 3,489,509 | 3,489,509 |
| Total undiscounted financial assets | 6,781,519 | 6,798,659 | 6,798,659 |
| **Financial liabilities** | | | |
| Trade and other payables [(b)] | 3,079,372 | 3,079,372 | 3,079,372 |
| Total undiscounted financial liabilities | 3,079,372 | 3,079,372 | 3,079,372 |
| Total net undiscounted financial assets | 3,702,147 | 3,719,287 | 3,719,287 |

[(a)] The amounts excluded prepayments, advance payment and deferred commission.
[(b)] The amounts excluded GST payable and contract liabilities.

### c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates that will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

## 17. FINANCIAL RISK MANAGEMENT – CONTINUED

### c) Market risk – Continued

(i) Foreign currency risk

The Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Company, primarily United States Dollars, Indian Rupee, Hong Kong Dollars, and Malaysian Ringgit.

The Company's currency exposure to the United States Dollars, Indian Rupee, Hong Kong Dollars, and Malaysian Ringgit at the reporting date were as follows:

| 2019 | United States Dollars S$ | Indian Rupee S$ | Hong Kong Dollars S$ | Malaysian Ringgit S$ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and other receivables[a] | 10,797 | - | - | - |
| Cash and cash equivalents | 95,371 | - | - | - |
| | 106,168 | - | - | - |
| **Financial liabilities** | | | | |
| Trade and other payables[b] | 148,756 | 3,067,236 | 247,999 | 1,107,391 |
| | 148,756 | 3,067,236 | 247,999 | 1,107,391 |
| Currency exposure | (42,588) | (3,067,236) | (247,999) | (1,107,391) |
| **2018** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables[a] | 15,530 | - | - | - |
| Cash and cash equivalents | 117,975 | - | - | - |
| | 133,505 | - | - | - |
| **Financial liabilities** | | | | |
| Trade and other payables[b] | 76,898 | 1,514,066 | 72,107 | 604,737 |
| | 76,898 | 1,514,066 | 72,107 | 604,737 |
| Currency exposure | 56,607 | (1,514,066) | (72,107) | (604,737) |

[a]The amounts excluded prepayments, advance payment and deferred commission.
[b] The amounts excluded GST payable and contract liabilities.

## 17. FINANCIAL RISK MANAGEMENT – CONTINUED

### c) Market risk – Continued

(i) Foreign currency risk – Continued

A 10% (2018:10%) strengthening of Singapore Dollars against the foreign currencies denominated balances as at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | (Loss) / Profit after income tax | |
|---|---|---|
| | 2019 | 2018 |
| | S$ | S$ |
| United States Dollars | (3,535) | 4,698 |
| Indian Rupee | (254,581) | (125,667) |
| Hong Kong Dollars | (20,584) | (5,985) |
| Malaysian Ringgit | (91,913) | (50,193) |

A 10% (2018:10%) weakening of Singapore Dollars against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from the cash and cash equivalents.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial years.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

| | 2019 | 2018 |
|---|---|---|
| **Fixed rate instruments:** | S$ | S$ |
| **Financial assets** | | |
| *Within one year* | | |
| Fixed deposits | 1,421,714 | 2,750,588 |

Interests on fixed deposits at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Company that are not included in the above table are not subject to interest rate risks.

## 18. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Company comprises issued share capital and retained earnings.

## 18. CAPITAL MANAGEMENT – CONTINUED

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the financial year ended 31 March 2019 and 2018.

The Company is not subject to any externally imposed capital requirements. The Company's overall strategy remains unchanged from 2018.

## 19. FAIR VALUES

*Fair value*
The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

*Cash and cash equivalents, other receivable and other payables*
The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

*Trade receivables and trade payables*
The carrying amounts of these receivables and payables (including trade balances due to from/to fellow subsidiaries) approximate their fair values as they are subject to normal trade credit terms.

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost were as follows:

| | 2019 | 2018 |
|---|---|---|
| | S$ | S$ |
| **Financial assets measured at amortised cost** | | |
| Trade and other receivables (Note 5)[(a)] | 5,325,102 | 3,309,150 |
| Cash and cash equivalents (Note 6) | 2,169,120 | 3,472,369 |
| Total financial assets measured at amortised cost | 7,494,222 | 6,781,519 |
| **Financial liabilities measured at amortised cost** | | |
| Trade and other payables (Note 8)[(b)] | 5,285,661 | 3,079,372 |
| Total financial liabilities measured at amortised cost | 5,285,661 | 3,079,372 |

[(a)]The amounts excluded prepayments, advance payment and deferred commission.
[(b)] The amounts excluded GST payable and contract liabilities.

## 21. COMPARATIVE INFORMATION

The current financial period comprises 12 months from 1 April 2018 to 31 March 2019 as the Company changed its financial period end from 31 December to 31 March in previous year to coincide with the financial period end of the holding company.

The audited comparative figures presented in the financial statements are not entirely comparable as they cover a period from 1 January 2017 to 31 March 2018.

## 22. RECLASSIFICATIONS AND COMPARATIVES

A reclassification has been made to the prior year's financial statements to correct errors in the presentation of the service income in which sub-contractor charges were wrongly debited.

Accordingly, the financial statements of the Company for 2018 have been restated and reclassified as follows:

| | As previously stated 2018 S$ | As restated 2018 S$ |
|---|---|---|
| **Statement of profit or loss and other comprehensive income:** | | |
| Service income (Note 9) | 5,299,987 | 7,494,024 |
| Sub-contractor charges (Note 12) | - | (2,194,037) |

## 23. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on

**MONSTER.COM.HK LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2019**

## H.F. LEUNG & CO.

**CERTIFIED PUBLIC ACCOUNTANTS**

**MONSTER.COM.HK LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2019**

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**MONSTER.COM.HK LIMITED**
**REPORT OF THE DIRECTORS**

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of online recruitment website, "www.monster.com.hk", which offers various recruitment services, including placement of job postings, access to resume database and other career related contents.

THE STATE OF THE COMPANY'S AFFAIRS AND APPROPRIATIONS

The results of the company for the year ended 31st March 2019 and the state of the company's affairs at that date are set out in the annexed financial statements.

The director do not recommend the payment of a dividend.

RESERVES

No transfer to reserves has been made or proposed for the year.

PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of share capital of the company are set out in note 14 to the financial statements.

DIRECTOR

The directors who held office during the year and up to date of this report were:

Vijay Sivaram

Abhijeet Mukherjee
Manoj Jain

There being no no provision in the Company's Articles of Association to the contrary, all exisiting directors continue in office for the coming year.

DIRECTORS' INTEREST IN CONTRACTS

No significant transactions, arrangements and contracts to which the company was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

At no time during the year was the company or its holding company a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

(HKSA 240)

15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (HKSA 240)

16. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. (HKSA 250)

17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (HKSA 550)

18. Any other matters that the auditor may consider necessary.

Yours faithfully

Abhijeet Mukherjee
Director

Date : 8th May 2019

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MONSTER.COM.HK LIMITED**

(incorporated in Hong Kong with limited liability)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Monster.com.hk Limited set out on pages 5 to 15 which comprise the statement of financial position as at 31st March 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Material Uncertainty Related to Going Concern

We draw attention to note 4(b) to the financial statements, which indicates that as at 31st March 2019, the Company had net current liabilities of HK$2,531.894 and capital deficiency of HK$2,531,894. as stated in note 4(b) to the financial statements, these conditions indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern which is dependent upon the continuing financial support of its ultimate holding company, We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in respect of this matter.

### Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MONSTER.COM.HK LIMITED**

(incorporated in Hong Kong with limited liability)

(continued)

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 deficiencies in internal control that we identify during our audit.

H.F. Leung & Co.

H.F. LEUNG & CO.
Certified Public Accountants
Room 1004, Xing Hua Centre,
433 Shanghai Street
Mongkok,
Kowloon.
Date : 8th May 2019

**MONSTER.COM.HK LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**YEAR ENDED 31ST MARCH 2019**

| | Note | 2019<br>HK$ | 2018<br>HK$ |
|---|---|---|---|
| Revenue | 4 | 3,895,253 | 6,410,582 |
| Other Gains or Losses | 5 | - | (31,857) |
| Less: Staff Costs | 7 | (1,251,984) | (2,895,232) |
| Less: Operating Lease Payments | | (294,218) | (851,097) |
| Less: Administrative expenses | | (672,844) | (2,045,689) |
| Profit before taxation | 8 | 1,676,207 | 586,707 |
| Taxation | 9 | (118,835) | (188,549) |
| Profit for the year | | 1,557,372 | 398,158 |

The notes on pages 9 to 15 form an integral part of these financial statements.

## MONSTER.COM.HK LIMITED
## STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2019

| | Note | 2019 HK$ | 2018 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | - | 8,327 |
| Deferred Tax assets | | - | 1,454 |
| | | - | 9,781 |
| **Current assets** | | | |
| Amout due from related Companies | 11 | 199,031 | 40,580 |
| Trade receivables | 12 | 431,656 | 491,148 |
| Deposits and Prepayments | 12 | 1,861,440 | 1,559,413 |
| Pre-Paid Taxation | | - | 277,328 |
| Cash and cash equivalents | | 481,958 | 800 |
| | | 2,974,085 | 2,369,269 |
| **Current liabilities** | | | |
| Accounts payable and accurals | | 440,537 | 703,551 |
| Amout due to related Companies | 11 | 2,670,047 | 2,428,911 |
| Deferred Revenue | 13 | 2,291,327 | 3,335,854 |
| Provision for bad debts | | 12,145 | - |
| Provision for taxation | | 91,923 | - |
| | | 5,505,979 | 6,468,316 |
| **Net current liabilities** | | (2,531,894) | (4,099,047) |
| **NET LIABILITIES** | | (2,531,894) | (4,089,266) |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 14 | 38,700,002 | 38,700,002 |
| Retained profits | | (41,231,896) | (42,789,268) |
| **TOTAL EQUITY** | | (2,531,894) | (4,089,266) |

Approved on behalf of the Board by : 8th May 2019

Abhijeet Mukherjee

Manoj Jain

The notes on pages 9 to 15 form an integral part of these financial statements.

**MONSTER.COM.HK LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**YEAR ENDED 31ST MARCH 2019**

| | Share capital | Accumulated Loss | Total |
|---|---|---|---|
| | HK$ | HK$ | HK$ |
| BALANCE AT 31ST DECEMBER 2016 AND 1 JANUARY 2017 | 38,700,002 | (43,187,426) | (4,487,424) |
| Profit for the year | - | 398,158 | 398,158 |
| BALANCE AT 31ST MARCH 2018 | 38,700,002 | (42,789,268) | (4,089,266) |
| Profit for the year | - | 1,557,372 | 1,557,372 |
| BALANCE AT 31ST MARCH 2019 | 38,700,002 | (41,231,896) | (2,531,894) |

The notes on pages 9 to 15 form an integral part of these financial statements.

**MONSTER.COM.HK LIMITED**
**CASH FLOW STATEMENT**
**YEAR ENDED 31ST MARCH 2019**

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| **Profit before taxation** | 1,676,207 | 586,707 |
| Adjustments for: | | |
| Depreciation | 8,327 | 5,213 |
| Operating profit before changes in working capital | 1,684,534 | 591,920 |
| **Changes in working capital:** | | |
| Increase/Decrease in amount due from immediate holding company | - | 1,859,871 |
| Increase/Decrease in trade receivables | 59,492 | (264,416) |
| Increase/Decrease in deposits and prepayments | (302,027) | (1,349,170) |
| Increase /Decrease in amount due from a related Companies | (158,451) | 5,726,839 |
| Increase /Decrease in accounts payables and accurals | (263,014) | (51,568) |
| Increase/Decrease in Deferred revenue | (1,044,527) | (133,203) |
| Increase /Decrease in amount due to a related Companies | 241,136 | 1,473,834 |
| Increase/Decrease in amount due fto a immediate holding company | - | (13,222,391) |
| Increase/Decrease in provision for bad debts | 12,145 | - |
| CASH GENERATED FROM OPERATIONS | 229,288 | (5,368,284) |
| Income Tax (Paid)/Refunded | 251,870 | (446,103) |
| NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES | 481,158 | (5,814,387) |
| INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | - | (13,540) |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | - | (13,540) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 481,158 | (5,827,927) |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | 800 | 5,828,727 |
| CASH AND CASH EQUIVALENTS CARRIED FORWARD | 481,958 | 800 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 481,958 | 800 |

**MONSTER.COM.HK LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED 31ST MARCH 2019**

1. GENERAL

Monster.Com.HK Limited is a company incorporated in Hong Kong with limited liability. The Company's registered office is located at Unit 1001, 10/F, Mira Place Tower A,132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company are that of online recruitment website, "www.monster.com.hk", which offers various recruitment services, including placement of job postings, access to resume database and other career related contents.

As at 31st March 2019, the Company's holding company and ultimate holding company are Quesscorp Holdings Pte. Ltd (a company incorporated in Singapore) and Quess Corp Limited (a public company incorporated in India and listed its shares on National Stock Exchange of India Limited) respectively.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities ("HKFRSPE") issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and on accrual basis of accounting and on the basis that the company is a going concern in spite of the significant loss and net liabilities at 31st March 2019 on the grounds that the ultimate holding company has agreed to continue/provide their financial supports to the Company in the foreseeable future.

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

3. PRINCIPAL ACCOUNTING POLICIES

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements :

a. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charge to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

Depreciation on property, plant and equipment is calculated at a rate sufficient to write off their cost or revalued amounts over their estimated useful lives on a straight-line basis at the following rates:

| | |
|---|---|
| Office and Computer equipment | 27% - 33 1/3% per annum |
| Resume database | 20% per annum |

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the income statement.

3. PRINCIPAL ACCOUNTING POLICIES - continued

b. Impairment of assets

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.
Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

c. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables, The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

d. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash and bank balances, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents.

e. Payables and accruals

Payables and accruals are recognised initially at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

f. Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and when the revenue can be measured reliably, on the following bases:-

(i) Revenue from the placement of job postings on the Company's website is recognised over the length of the advertising agreement or membership term. Rvenue from the subscriptions to the Company's online resume database network is recognised over the period of the underlying subscription. Unearned revenues are reported on the statement of financial position as deferred revenue.

(ii) Interest income is recognised on a time proportion basis taking into account the principal outstanding and at the interest rate applicable.

g. Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3. PRINCIPAL ACCOUNTING POLICIES - continued

h. Foreign currency translation

Foreign currency transactions are converted at the exchange rate applicable at the transaction date. Foreign currency monetary items are translated into Hong Kong dollars using exchange rates applicable at the balance sheet date. Gains and losses on foreign exchange are recognised in the income statement.

i. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits

j. Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

4. REVENUE

Turnover represents revenue from the placement of job postings on the company's website and access to the company's online resume database network.

An analysis of the company's revenue is as follows:

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| Revenue | 4,900,885 | 6,410,582 |
| Exchange difference | 103,926 | - |
| Interest income | - | 78 |
| Other Income | - | 75 |
| | 5,004,811 | 6,410,735 |

5. OTHER GAINS OR (LOSSES)

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| Write-off of long aged receivables | - | (32,010) |
| | - | (32,010) |

6. DIRECTORS' EMOLUMENTS

The directors did not receive any fees or emoluments in respect of their to the Company during the year (2018 : Nil)

7. STAFF COSTS

Employee costs (including directors) comprise:

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| Wages and Salaries | 1,150,039 | 2,712,718 |
| Staff insurance | 31,683 | 88,646 |
| MPF | 70,262 | 93,868 |
| | 1,251,984 | 2,895,232 |

8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the followings:

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| Audit Fee | 75,000 | 200,000 |
| Depreciation | 8,327 | 5,213 |
| Loss on exchange | - | 114,465 |
| Rent | 294,218 | 851,097 |
| Staff costs (Note 7) | 1,251,984 | 2,895,232 |

9. INCOME TAX

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The amount of taxation charged to the statement of comprehensive income represents:

| | 2019 | 2018 |
|---|---|---|
| | HK$ | HK$ |
| Hong Kong profits tax | | |
| Provision for the year before tax relief | 138,835 | 96,807 |
| under/(over) provision in respect of prior years | - | 93,116 |
| Tax effect of Revenue not Taxable | - | (1,374) |
| Less:Tax Relief for the year of assesment (2018/19) | (20,000) | - |
| Tax charge for the year | 118,835 | 188,549 |

Tax payable in the balance sheet represents provision for taxation for the current year.

10. PROPERTY, PLANT AND EQUIPMENT

| | Office and Computer equipments HK$ | Total HK$ |
|---|---|---|
| Cost | | |
| At 1st April 2018 | 1,250,979 | 1,250,979 |
| As on 31st March 2019 | 1,250,979 | 1,250,979 |
| Accumulated depreciation | | |
| At 1st April 2018 | 1,242,652 | 1,242,652 |
| Charge for year | 8,327 | 8,327 |
| As on 31st March 2019 | 1,250,979 | 1,250,979 |
| Net Book Value | | |
| At 31st March 2019 | - | - |
| At 31st March 2018 | 8,327 | 8,327 |

11. AMOUNT DUE TO/FROM RELATED COMPANY

The amount was unsecured, interest free and had no fixed terms of repayment.

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Monster.com India Pvt Limited | 45,707 | (386,076) |
| Monster.com India Pvt Limited-(Dubai branch) | 77,758 | 26,886 |
| Monster.Com Phillppines | 75,566 | 13,694 |
| Monster.com.sg Pte Ltd | (1,494,330) | (705,757) |
| Agensi Pekerjaan Monster Malaysia Sdn. Bhd. | (1,175,717) | (1,336,161) |
| | (2,471,016) | (2,387,414) |

12. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

The company's trade receivables, deposits and prepayments are non interest-bearing and their carrying amounts approximate to their fair values.

13. DEFERRED REVENUE

Deferred revenue represents revenue received in advance which will be recognised in advance which will be recognised as revenue over the period of the underlying advertising or subscription agreement

## 14. SHARE CAPITAL

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Issued and fully paid: | | |
| 38,700,000 ordinary shares | 38,700,002 | 38,700,002 |

## 15. OPERATING LEASE COMMITMENTS

The Company leases its office permises under operating leases, Lease for the office property was subject to 2 month prior notice for the termination of agreement(2018:2 month prior notice for the termination of agreement).

At the balance sheet date, the company had commitments under non-cancelabe operating lease in respect of operating leases to make payments are as follows:

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Within one year | 26,088 | - |
| | - | - |
| In second to fifth year inclusive | - | - |
| | 26,088 | - |

## 16. RELATED PARTY TRANSACTIONS

In addition to the transactions an balances detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Gross global website memebership fees from related companies | 2,109,201 | 3,892,596 |
| Gross global website memebership fees to related companies | 1,109,558 | 1,233,502 |
| E-Commerce fee from a related Companies | - | 42,701 |
| Net Commission fee to related Companies | - | 266,933 |

17. COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform with the current year's presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the company's Board of Directors on 8th May 2019

# MONSTER.COM.HK LIMITED

## DETAILED INCOME STATEMENT

## YEAR ENDED 31ST MARCH 2019

(For management information purposes only)

| | 2019 HK$ | 2018 HK$ |
|---|---|---|
| Revenue | 4,900,885 | 7,911,017 |
| Less: Sub-Contracting Cost | (1,109,558) | (1,500,435) |
| Gross Profit | 3,791,327 | 6,410,582 |
| Other Income | | |
| Exchange difference | 103,926 | - |
| Interest income | - | 78 |
| Other Income | - | 75 |
| | 103,926 | 153 |
| Total Revenue | 3,895,253 | 6,410,735 |
| Administrative and general expenses | | |
| Advertising | 308,513 | 869,561 |
| Audit fee | 75,000 | 200,000 |
| Bank charges | 15,244 | 34,311 |
| Bad debt expenses | 12,145 | 45,955 |
| Business registration fee | 2,250 | 2,250 |
| Depreciation | 8,327 | 5,213 |
| Entertainment | - | 181 |
| Exchange difference | - | 114,465 |
| IT service fee | 6,000 | 45,404 |
| MPF | 70,262 | 93,868 |
| Postage and courier | 5,305 | 4,724 |
| Printing and stationery | 31,696 | 21,987 |
| Refresment & messing | - | 800 |
| Rent | 294,218 | 851,097 |
| Royalty | - | 49,159 |
| Salaries | 1,150,039 | 2,712,718 |
| Sales Commission | 122,476 | 357,868 |
| Staff insurance | 31,683 | 88,646 |
| Staff Welfare | 11,965 | 26,731 |
| Secretarial Fees | 21,205 | 30,506 |
| Sundry expenses | 1,286 | 11,850 |
| Storage Service Fees | - | 17,207 |
| Taxation Service Fee | 21,674 | 165,430 |
| Telephone, fax and internet expenses | 24,984 | 61,848 |
| Transportation | 4,774 | 12,249 |
| | 2,219,046 | 5,824,028 |
| Profit before taxation | 1,676,207 | 586,707 |

Company No: 513480 X

**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
(Incorporated in Malaysia)

**REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2019**

**CONTENTS**

Company No: 513480 X

**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31st March 2019.

### CHANGE OF COMPANY NAME

On 28th August 2018, the Company changed its name from Monster Malaysia Sdn. Bhd. to Agensi Pekerjaan Monster Malaysia Sdn. Bhd.

### PRINCIPAL ACTIVITY

The Company is principally engaged as provider of online recruitment solutions, to carry on the activities of employment placement and to carry on the activities of private employment agency to recruit and/to place a worker to another employer. There has been no significant change in this activity during the financial year.

### FINANCIAL RESULTS

| | RM |
|---|---|
| Net profit for the financial year after income tax | 164,636 |

### DIVIDENDS

The directors did not propose any final dividends for the financial year ended 31st March 2019.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review.

### ISSUE OF SHARES

The Company did not issue any new shares during the financial year.

### DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to date of the report are:-

Vijay Sivaram
Manoj Jain
Abhijeet Mukherjee
Muhunthan a/l Krishnan

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit by reason of a contract made by the Company or by a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings, required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations were as follows:-

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| | As at 1.4.2018 | Bought | Sold | As at 31.3.2019 |
| Muhunthan a/l Krishnan | 255,000 | - | - | 255,000 |

No other directors in office held any interest in shares of the Company or its related corporation at the end of the financial year.

## DIRECTORS'REMUNERATION

No director's remuneration was paid or payable for directors and past directors of the Company during the financial year.

No indemnities have been given or insurance premium paid for director or officers of the Group and Company during the financial year.

## ULTIMATE HOLDING COMPANY

The directors regard Quess Corp Limited (Company No: U74140KA2007PLC043909), a company incorporated in India as the ultimate holding company.

## HOLDING COMPANY

The directors regard Quessglobal Holdings Pte Ltd (Company No: 201526129N), a company incorporated in Singapore as the holding company.

## OTHER FINANCIAL INFORMATION

Before the financial statements of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts have been written off and adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability in respect of the Company which has arisen since the end of the financial year.

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the directors:

(a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

## AUDITORS' REMUNERATION

Total amount paid to or receivable by auditors as remuneration for their services as auditors is disclosed in Note 14 to the financial statements.

There are no indemnity and insurance purchased for the auditors of the Company during the financial year.

**AUDITORS**

The auditors, Messrs HALS & Associates have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on May 8, 2019.

Signed in accordance with a resolution of the directors:

VIJAY SIVARAM ) Directors

MUHUNTHAN A/L KRISHNAN )

KUALA LUMPUR

**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
(Incorporated in Malaysia)

## STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019

| | Note | 2019 RM | 2018 RM |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSET | | | |
| Property, plant and equipment | 7 | 13,371 | 23,723 |
| Total non-current asset | | 13,371 | 23,723 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 8 | 3,107,225 | 2,481,437 |
| Tax recoverable | | 1,333,068 | 311,399 |
| Cash and cash equivalents | 9 | 1,645,023 | 3,052,273 |
| Total current assets | | 6,085,316 | 5,845,109 |
| TOTAL ASSETS | | 6,098,687 | 5,868,832 |
| EQUITY | | | |
| Share capital | 10 | 500,000 | 500,000 |
| Retained profit | | 1,291,014 | 1,126,378 |
| Total equity | | 1,791,014 | 1,626,378 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 1,493,672 | 715,289 |
| Deferred revenue | 12 | 2,814,001 | 3,527,165 |
| Total current liabilities | | 4,307,673 | 4,242,454 |
| TOTAL LIABILITIES | | 4,307,673 | 4,242,454 |
| TOTAL EQUITY AND LIABILITIES | | 6,098,687 | 5,868,832 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 21.

**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
(Incorporated in Malaysia)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31$^{T}$ MARCH 2019

| | Note | 1.4.2018 To 31.3.2019 RM | 1.1.2017 To 31.3.2018 RM |
|---|---|---|---|
| REVENUE | 13 | 6,645,968 | 7,001,988 |
| Other operating income | | 192,876 | 1,034,855 |
| Administrative expenses | | 6,685,821 | 5,436,606 |
| Profit before taxation | 14 | 153,023 | 2,600,237 |
| Taxation | 15 | 11,613 | (1,473,859) |
| Profit for the year | | 164,636 | 1,126,378 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 21.

**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
(Incorporated in Malaysia)

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2019

| | Note | Share Capital RM | Retained Earnings RM | Total Equity RM |
|---|---|---|---|---|
| Balance at 1st January 2017 | | 500,000 | 5,800,137 | 6,300,137 |
| Non-owner changes in equity | | | | |
| Profit for the period | | - | 1,126,378 | 1,126,378 |
| Total comprehensive income for the period | | - | 1,126,378 | 1,126,378 |
| Transactions with owners of the Company | | | | |
| Dividend paid | 16 | - | (5,800,137) | (5,800,137) |
| Total transactions with owners | | - | (5,800,137) | (5,800,137) |
| Balance at 31st March 2018 | | 500,000 | 1,126,378 | 1,626,378 |
| Non-owner changes in equity | | | | |
| Profit for the year | | - | 164,636 | 164,636 |
| Total comprehensive income for the year | | - | 164,636 | 164,636 |
| Balance at 31st March 2019 | | 500,000 | 1,291,014 | 1,791,014 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 21.

**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
(Incorporated in Malaysia)

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31ST MARCH 2019

| | Note | 1.4.2018 To 31.3.2019 RM | 1.1.2017 To 31.3.2018 RM |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 153,023 | 2,600,237 |
| Adjustments for: | | | |
| Allowance for doubtful debts | | 5,300 | - |
| Recovery of impairment loss on trade receivables | | (14,041) | (71,232) |
| Bad debts written off | | - | 43,416 |
| Depreciation | | 10,352 | 7,333 |
| Interest income | | - | (173,175) |
| Unrealised loss on foreign currency | | 34,672 | (97,264) |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | | 189,306 | 2,309,315 |
| (Increase)/Decrease in receivables | | (5,745,481) | 3,190,293 |
| Increase/(Decrease) in payables | | 5,203,628 | (19,449) |
| CASH (USED IN)/GENERATED FROM OPERATIONS | | (352,547) | 5,480,159 |
| Interest received | | - | 173,175 |
| Tax paid | | (1,010,056) | (1,938,649) |
| Tax refund | | - | 86,872 |
| NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES | | (1,362,603) | 3,801,557 |
| CASH FLOW FROM INVESTING ACTIVITY | | | |
| Purchase of property, plant and equipment | | - | (31,056) |
| NET CASH USED IN INVESTING ACTIVITY | | - | (31,056) |
| CASH FLOW FROM FINANCING ACTIVITY | | | |
| Dividend paid | | - | (5,800,137) |
| NET CASH USED IN FINANCING ACTIVITY | | - | (5,800,137) |
| Unrealised loss in cash and cash equivalents | | (44,647) | (758) |
| Net decrease in cash and cash equivalents | | (1,362,603) | (2,029,636) |
| Cash and cash equivalents at beginning of the year/period | | 3,052,273 | 5,082,667 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD | 9 | 1,645,023 | 3,052,273 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 21.

**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH 2019

### 1. GENERAL

The financial statements of the Company are presented in Ringgit Malaysia (RM) which is the Company's functional currency. All financial information is presented in RM.

The Company was incorporated and domiciled in Malaysia as a private company limited by shares. It is resident in Malaysia with its registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business at Level 15.01, 1 First Avenue, 2A Dataran Bandar Utama Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan.

### 2. PRINCIPAL ACTIVITY

The Company is principally engaged as provider of online recruitment solutions, to carry on the activities of employment placement and to carry on the activities of private employment agency to recruit and/to place a worker to another employer. There has been no significant change in this activity during the financial year.

### 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS") issued by Malaysian Accounting Standards Board's ("MASB") and the provisions of the Companies Act 2016.

### 4. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved by the Board of Directors for issuance on....08 MAY 2019....

### 5. BASIS OF PREPARATION

#### 5.1 Basis of Measurement

The financial statements of the Company have been prepared using cost bases (which include historical cost and amortised cost) and fair value bases.

#### 5.2 Critical Judgements and Estimates Uncertainty

The preparation of the financial statements in conformity with MPERS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the financial statements other than as disclosed below:-

A. Estimation Uncertainty

(a) **Loss Allowance of Financial Assets**

The Company recognizes impairment losses for loans and receivables using the incurred loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Company's financial position and results.

(b) **Depreciation of Property, Plant and Equipment**

The cost of an item of property, plant and equipment is depreciated on the straight line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual value. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

(c) **Measurement of Income Taxes**

Significant judgement is required in determining the Company's provision for current and deferred taxes because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the taxes payable is determined with the tax authorities in each jurisdiction, the amounts might be different for the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period where such determination is made. The Company will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.

## 6. SIGNIFICANT ACCOUNTING POLICIES

### (a) Property, Plant and Equipment

#### (i) Recognition and Measurement

All property, plant and equipment are initially measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self constructed assets also includes the cost of direct and indirect cost of construction.

For an exchange of non-monetary assets that has a commercial substance, cost is measured by reference to the fair value of the asset received.

All property, plant and equipment are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amounts of property, plant and equipment and is recognized net within "other income" or "other expenses" respectively in profit or loss.

(ii) **Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized to profit or loss. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) **Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. The annual rates used are as follows:-

| | |
|---|---|
| Computer | 3 years |
| Computer software | 3 years |
| Office equipment | 3 years |

At the end of each reporting period, the residual values, useful life and depreciation method for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

(b) **Impairment of non-financial assets**

The carrying amounts of non-financial assets (ie. property, plant and equipment) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset, if an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and the value in use. The Company determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a sale agreement, (ii) market price traded in an active market; and (iii) estimate of market price using the best information available. The value in use is estimated by discounting the net cash inflows (by an appropriate pre-tax discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecast cash flows.

An impairment loss is recognized if the carrying amount of an asset or its related cash- generating unit exceeds its estimated recoverable amount.

For an asset measured on a cost-based model, any impairment loss is recognized in profit or loss. For a property, plant and equipment measured on the revaluation model, any impairment loss is treated as a revaluation decrease.

The Company reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognized previously may have reversed.

Any reversal of impairment loss for an asset carried at a cost-based model is recognized in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized previously.

(c) **Financial instruments**

(i) **Initial recognition and measurement**

A financial asset or financial liability is recognised in the statement of financial position when, and only when the Company becomes a party to the contractual provisions of the instruments.

A financial instrument is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is measured at fair value through profit or loss, transaction cost are expensed to profit or loss when incurred) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instruments.

(ii) **Subsequent measurement**

For the purpose of subsequent measurement, the Company classifies financial assets into two categories, namely: (i) financial assets at fair value through profit or loss, and (ii) financial assets at amortised costs.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 6c(v).

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

(iii) **Fair Value Measurement of Financial Instruments**

All other financial assets or liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit or loss.

The fair value is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique.

(iv) **Recognition of Gains and Losses**

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognized in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognized in profit or loss only when the financial asset or financial liability is derecognized or impaired, and through the amortization process of the instruments.

(v) **Impairment and Uncollectibility of Financial Assets**

The Company applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset (except for financial assets measured at fair value through profit or loss) or a group of financial assets is impaired.

An impairment loss is measured as follows:-

* For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

* For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

(vi) **Derecognition**

A financial asset or part of it is derecognized when, and only when, the contractual rights to the cash flows from the financial asset expire or are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of financial asset, the difference between the carrying amount of the financial asset derecognized and the consideration received, including any newly created rights, and obligations, is recognized in profit or loss.

A financial liability or part of it is derecognized when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(d) **Equity instruments**

Ordinary shares classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(e) **Revenue Recognition**

Revenue from services rendered is recognized in profit or loss upon services rendered and acceptance by customers.

(f) **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided by the balance sheet liability method based on all taxable temporary differences by comparing carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax is not recognized if the temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time the transaction, affects neither accounting profit nor taxable profits.

Deferred tax is measured at the tax rates that is expected to be applied to the temporary differences when they reverse, based on tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilized.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets , and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

(g) **Cash and Cash Equivalents**

Cash and cash equivalents consists of cash in hand, bank balances, deposits with bank and highly liquid investments with maturing within three months from the date of acquisition which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) **Employee Benefits**

(i) **Short term employee benefits**

Short term employee benefits in respect of wages, salaries, social security contributions, paid annual leaves, paid sick leaves, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed in the financial period when employees have rendered their services to the Company.

Bonuses are recognised as an expense when there is a present, legal or constructive obligations to make such payments, as a result of past services provided by employees and when a reliable estimate can be made of the amount of the obligations.

(ii) **Defined contribution plan**

The Company makes contributions to a statutory provident fund and recognise the contribution payable as an expense in the financial year in which the employees render their services. Once the contributions have been paid, the Company have no further payment obligations.

(i) **Currency Conversion**

Transactions denominated in foreign currencies are translated and recorded at the exchange rates prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currency are retranslated at the rates prevailing at the end of the period (ie. closing rate). Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the dates the fair value were determined. Non-monetary items that are measured at their historical costs amounts continue to be translated at their respective historical rates and are not retranslated.

All exchange gain or losses, including those arising from translation, are taken up in profit or loss.

## 7. PROPERTY, PLANT AND EQUIPMENT

| **2019**<br>**Cost:** | **At 1st April 2018**<br>**RM** | **Addition**<br>**RM** | **At 31st March 2019**<br>**RM** |
|---|---|---|---|
| Computer | 97,781 | - | 97,781 |
| Computer software | 13,349 | - | 13,349 |
| Office equipment | 1,479 | - | 1,479 |
| Total | 112,609 | - | 112,609 |

| **Accumulated Depreciation:** | **At 1st April 2018**<br>**RM** | **Charge for the year**<br>**RM** | **At 31st March 2019**<br>**RM** | **Carrying amount at 31st March 2019**<br>**RM** | **Carrying amount at 31st March 2018**<br>**RM** |
|---|---|---|---|---|---|
| Computer | 74,058 | 10,352 | 84,410 | 13,371 | 23,723 |
| Computer software | 13,349 | - | 13,349 | - | - |
| Office equipment | 1,479 | - | 1,479 | - | - |
| Total | 88,886 | 10,352 | 99,238 | 13,371 | 23,723 |

## 8. TRADE AND OTHER RECEIVABLES

| | 2019 RM | 2018 RM |
|---|---|---|
| Current: | | |
| Trade receivables | 599,323 | 609,512 |
| Other receivables | 143,664 | 122,499 |
| Deposits and prepayment | 37,369 | 55,362 |
| Amount due from related companies | 2,332,169 | 1,731,073 |
| Total at cost | 3,112,525 | 2,518,446 |
| Less: | | |
| Accumulated impairment losses (**) | 5,300 | 37,009 |
| | 3,107,225 | 2,481,437 |

** Movement of impairment losses:

| | 2019 RM | 2018 RM |
|---|---|---|
| Balance at beginning of the year | 37,009 | 108,241 |
| Allowance for doubtful debts recognised in profit or loss | 5,300 | - |
| Reversal of impairment loss | (37,009) | (71,232) |
| Balance at end of the year | 5,300 | 37,009 |

Other receivables and related company's balances represent non trade advances/loan made and are unsecured, interest free and payable on demand.

## 9. CASH AND CASH EQUIVALENTS

| | 2019 RM | 2018 RM |
|---|---|---|
| Cash and bank balances | 1,645,023 | 3,052,273 |

## 10. SHARE CAPITAL

| | 2019 RM | 2018 RM |
|---|---|---|
| Issued and fully paid: | | |
| 500,000 Ordinary shares | 500,000 | 500,000 |

## 11. TRADE AND OTHER PAYABLES

| | 2019 RM | 2018 RM |
|---|---|---|
| Trade payables | 77,264 | 84,561 |
| Other payables and accruals | 1,156,724 | 499,146 |
| Amount due to related companies | 259,684 | 131,582 |
| | 1,493,672 | 715,289 |

Amount due to related companies represent loan/advances made and are unsecured, interest free and payable on demand.

## 12. DEFERRED REVENUE

Deferred revenue represents deferred fees and is recognised as revenue on a time apportionment basis over the remaining period of the respective agreements in line with the services to be rendered.

## 13. REVENUE

Revenue represents the invoiced value of services rendered net of discounts.

## 14. PROFIT FROM TRADING OPERATIONS

| | 1.4.2018 To 31.3.2019 RM | 1.1.2017 To 31.3.2018 RM |
|---|---|---|
| Profit from operations before taxation is stated after charging:- | | |
| Audit fee | 15,000 | 28,000 |
| Bad debts written off | - | 43,416 |
| Realised loss on foreign exchange | 39 | 443,518 |
| Realised gain on foreign exchange | (34) | (265,400) |
| Recovery of impairment on trade receivables | (14,041) | (71,232) |
| Unrealised gain on foreign exchange | (178,801) | (525,048) |
| Unrealised loss on foreign exchange | 213,473 | 427,784 |

## 15. TAXATION

| | 1.4.2018 To 31.3.2019 RM | 1.1.2017 To 31.3.2018 RM |
|---|---|---|
| Current year's/period's provision | 86,000 | 652,408 |
| (Over)/Underprovision in prior period | (97,613) | 821,451 |
| | (11,613) | 1,473,859 |

Income tax is calculated at the Malaysian Statutory tax rate of 24% of the estimated assessable profit for the year/period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:-

| | 1.4.2018 To 31.3.2019 RM | 1.1.2017 To 31.3.2018 RM |
|---|---|---|
| Profit before taxation | 153,023 | 2,600,237 |
| Taxation at Malaysian Statutory tax rate at 24% | 36,726 | 624,057 |
| Expenses not deductible for tax purposes | 91,192 | 28,351 |
| Income not subject to tax | (42,912) | - |
| (Over)/Underprovision in prior period | (97,613) | 821,451 |
| Deferred tax asset not recognised | 994 | - |
| Tax (income)/expense for the year/period | (11,613) | 1,473,859 |

The above are subject to the approval of the tax authorities.

16. **DIVIDEND**

| | 2019 RM | 2018 RM |
|---|---|---|
| A single tier interim dividend of RM11.60 per share in respect of financial year ended 31st March 2018 | - | 5,800,137 |

17. **FINANCIAL INSTRUMENTS**

17.1 **Categories of financial instruments**

The table below provides an analysis of financial instruments categorized as follows:-

(a) Financial assets and financial liabilities measured at amortised cost ("AC").

| **2019** **Financial assets** | **Carrying Amount RM** | **AC RM** |
|---|---|---|
| Deposit | 22,360 | 22,360 |
| Trade and other receivables | 3,069,856 | 3,069,856 |
| Cash and cash equivalents | 1,645,023 | 1,645,023 |
| | 4,737,239 | 4,737,239 |
| **Financial liability** | | |
| Trade and other payables | 1,493,672 | 1,493,672 |

| **2018** **Financial assets** | **Carrying Amount RM** | **AC RM** |
|---|---|---|
| Deposits | 22,360 | 22,360 |
| Trade and other receivables | 2,426,075 | 2,426,075 |
| Cash and cash equivalents | 3,052,273 | 3,052,273 |
| | 5,478,348 | 5,478,348 |
| **Financial liability** | | |
| Trade and other payables | 715,289 | 715,289 |

18. **RELATED PARTIES**

The significant related parties transactions of the Company are disclosed below:-

| | 2019 RM | 2018 RM |
|---|---|---|
| a. Entity controlled by the Company | | |
| Global revenue transfer from/(to):- | | |
| - Monster India | (2,005,224) | 969,131 |
| - Monster Singapore | 668,924 | 1,394,225 |
| - Monster Hong Kong | (49,408) | (123,108) |
| - Monster Middle East | 111,859 | 12,025 |
| - Monster Philippines | (128,102) | (186,447) |
| b. Key management personnel compensation | | |
| Directors:- | | |
| - Fee | - | 30,000 |

The related parties balances are disclosed in Note 8 and 11 to the financial statements.

19. **EMPLOYEES**

The number of employees at the end of the financial year/period is as follow:-

| | 2019 No. | 2018 No. |
|---|---|---|
| Directors | 4 | 4 |
| Employees | 3 | 6 |
| | 7 | 10 |

20. **COMPARATIVE FIGURES**

The financial statements for the previous financial period have been prepared for a period of fifteen months from 1st January 2017 to 31st March 2018. As a result, the comparative figures for Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and its related notes are not directly comparable with the current financial year.

**AGENSI PEKERJAAN MONSTER MALAYSIASDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
Company No. 513480-X
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, VIJAY SIVARAM and MUHUNTHAN A/L KRISHNAN, being two of the directors of AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD., do hereby state that in our opinion, the financial statements set out on pages 5 to 21 are drawn up so as to give a true and fair view of the financial position of the Company as at 31st March 2019 and financial performance of the Company for the financial year ended 31st March 2019 in accordance with the Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated May 8, 2019

VIJAY SIVARAM

MUHUNTHAN A/L KRISHNAN

## STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, VIJAY SIVARAM, Passport No.Z5177137 , being the director primarily responsible for the accounting records and financial management of AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 5 to 21 of the Company are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in Wilayah Persekutuan on 08 MAY 2019

Before me,

PESURUHJAYA SUMPAH
W 749
AMIRUL IMRAN BIN MOHD ALI
1/10/2018-31/12/2020
MALAYSIA

VIJAY SIVARAM

COMMISSIONER FOR OATHS

No. 29, Tingkat Satu
Jalan Melayu
50100 Kuala Lumpur

HALS & Associates
Chartered Accountants
AF No: 0755

**INDEPENDENT AUDITORS' REPORT**
**TO THE MEMBERS OF**
**AGENSI PEKERJAAN MONSTER MALAYSIA SDN. BHD.**
**(Formerly known as Monster Malaysia Sdn. Bhd.)**
(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Agensi Pekerjaan Monster Malaysia Sdn. Bhd. which comprise the statement of financial position as at 31st March 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 21.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2019 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Suite 1602, 16th Floor, Wisma Lim Foo Yong, 86 Jalan Raja Chulan, 50200 Kuala Lumpur*
*Tel :03-21105545 (Hunting) Fax :03-21423116*

**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain 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.

* Obtain 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 Company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

* Conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

* Evaluate the overall presentations, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Other Matters**

1 The financial statements of Agensi Pekerjaan Monster Sdn Bhd for the period ended 31st March 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 15th May 2018.

2 This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**HALS & ASSOCIATES**
**A.F. 0755**
**CHARTERED ACCOUNTANTS**

**Lim Kian Keong**
**Bil 02043/09/2020 J**
**Partner**

KUALA LUMPUR

DATE: 08 MAY 2019

Vasan&SampathLLP
chartered accountants

## INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**Terrier Security Services (India) Private Limited**

**Report on the Audit of the Standalone Financial Statements**

**Opinion**

We have audited the accompanying standalone financial statements of **Terrier Security Services (India) Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS


Jupiter-2, #190, 5th Cross, 3rd Main, MICO Layout BTM 2nd Stage, Bangalore - 560076, INDIA.
Tel:+91 80 6816 4100
Fax:+91 80 6816 4001
Email:Info@vscaglobal.com
web:www.vscaglobal.com

**Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

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**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.

2) As required by Section 143 (3) of the Act, we report that:
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

   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, in our opinion and to the best of our information and according to the explanations given to us;

      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 37 to the financial statements

      ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 2nd May, 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Terrier Security Services (India) Private Limited of even date)

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

b. The company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified at reasonable intervals. In our opinion, the periodicity is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification;

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. As explained to us and according to information and explanations given to us the inventories were physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on physical verification.

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The Company has not made any loans, investments, guarantees, and security covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities. As explained to us, the Company does not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, other than the ones mentioned below there are no material dues of provident fund, employee state insurance, income-tax, goods and service tax, cess which have not been deposited with the appropriate authorities on account of any dispute

| Name of the Statute | Nature of dues | Amount (in INR) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Service tax | Service tax, Penalty and ineligible credit | 24,62,443 | FY 2013-14 | CESTAT, Bengaluru |
| Service tax | Service tax Ineligible Credit | 7,10,529 | FY 2014-15 | CESTAT, Bengaluru |
| Service Tax | Service tax, Ineligible Credit, non-payment | 45,45,448 | FY 2015-16, FY 2016-17 and Apr'17 to Jun'17 | Commissioner of Central Tax (Audit) |

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and Government and dues to debenture holders;

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year;

xi. In our opinion and according to the information and explanations given to us, Sec 197 read with Schedule V to the Companies Act is not applicable to a private company and hence, clause(xi) of the Order is not applicable;

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards;

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xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable;

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703
Place: Bengaluru
Date: 2nd May, 2019

**ANNEXURE B - to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Terrier Security Services (India) Private Limited of even date)

**Report on the Internal Financial Controls 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 **Terrier Security Services (India) Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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 and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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

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assessment of the risks of material misstatement of the standalone 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 authorizations of management and directors of the Company; and

3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

operating effectively as at March 31, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 2nd May, 2019

Terrier Security Services (India) Private Limited

*(Amount in Rs)*

| Balance Sheet | Note | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 32,218,375 | 46,379,905 |
| Intangible assets | 4 | 2,234,264 | 4,242,782 |
| **Financial assets** | | | |
| Non-current loans | 5 | 3,899,142 | 3,629,341 |
| Deferred tax assets (net) | 6 | 123,024,970 | 38,021,453 |
| Income tax assets (net) | 7 | 176,029,608 | 112,437,693 |
| Other non-current assets | 8 | - | 2,255,564 |
| | | **337,406,359** | **206,966,738** |
| **Current Assets** | | | |
| Inventories | 9 | 2,331,952 | 5,827,207 |
| **Financial assets** | | | |
| Trade and other receivables | 10 | 1,064,790,159 | 847,117,674 |
| Cash and cash equivalents | 11 | 37,219,091 | 23,926,553 |
| Bank balances other than cash and cash equivalents above | 12 | 15,562,637 | 4,752,628 |
| Current loans | 13 | 14,044,030 | 14,864,298 |
| Other current financial assets | 14 | 177,405,698 | 29,477,583 |
| Other current assets | 15 | 30,849,855 | 12,232,628 |
| | | **1,342,203,422** | **938,198,571** |
| **Total Assets** | | **1,679,609,781** | **1,145,165,309** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 16 | 5,000,000 | 5,000,000 |
| Other equity | 17 | 381,188,949 | 299,239,971 |
| | | **386,188,949** | **304,239,971** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| **Financial liabilities** | | | |
| Non-current borrowings | 18 | - | 1,069,440 |
| Non-current provisions | 19 | 28,890,477 | 25,908,181 |
| | | **28,890,477** | **26,977,621** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| Trade payables | 20 | 341,167,515 | 190,456,268 |
| Current borrowings | 21 | 260,608,562 | 4,675,428 |
| Other current financial liabilities | 22 | 408,686,126 | 382,859,816 |
| Other current liabilities | 23 | 155,394,103 | 131,864,725 |
| Current provisions | 24 | 98,674,049 | 104,091,480 |
| | | **1,264,530,355** | **813,947,717** |
| **Total Equity and Liabilities** | | **1,679,609,781** | **1,145,165,309** |

*The notes referred to above form an integral part of the financial statements*

*As per our report of even date attached*

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 02 May 2019

*for and on behalf of Board of Directors of*
**Terrier Security Services (India) Private Limited**

**Lt. Col. Darshan Singh Bal**
Managing Director
DIN : 02679849

**Guruprasad Srinivasan**
Director
DIN:07596207

Place: Bengaluru
Date: 02 May 2019

**Terrier Security Services (India) Private Limited**

*(Amount in Rs)*

| **Statement of Profit and loss** | **Note** | **For the year ended 31 March 2019** | **31 March 2018** |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 25 | 4,294,174,278 | 3,297,131,418 |
| Other income | 26 | 13,133,242 | 12,369,901 |
| **Total Income** | | **4,307,307,520** | **3,309,501,319** |
| **Expenses** | | | |
| Cost of materials, stores and spare parts consumed | 27 | 44,497,907 | 58,156,828 |
| Employee benefits expense | 28 | 3,877,441,015 | 2,940,891,835 |
| Finance costs | 29 | 20,178,115 | 6,968,289 |
| Depreciation and amortisation expense | 30 | 24,151,247 | 7,873,297 |
| Other expenses | 31 | 337,645,308 | 256,746,114 |
| **Total expenses** | | **4,303,913,592** | **3,270,636,363** |
| **Profit before income tax** | | **3,393,928** | **38,864,956** |
| **Tax expense** | | | |
| Current tax | 32 | (9,306,086) | (7,600,000) |
| Adjustments of tax relating to earlier periods | 32 | - | 7,563,989 |
| Deferred tax | 32 | 85,003,518 | 17,300,000 |
| **Profit for the year** | | **79,091,360** | **56,128,945** |
| **Other comprehensive income/(expense)** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains / (losses) on defined benefit plans | | 2,857,619 | (3,944,544) |
| Income tax relating to items that will not be reclassed to profit or loss | | | |
| **Total comprehensive income/(expense) for the year** | | **81,948,979** | **52,184,401** |
| **Earnings per equity share (face value of Rs 10 each)** | 38 | | |
| Basic | | 158.18 | 112.26 |
| Diluted | | 158.18 | 112.26 |

*The notes referred to above form an integral part of the financial statements*

*As per our report of even date attached*

***for* Vasan & Sampath LLP**

Chartered Accountants

Firm's Registration No:004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**

*Partner*

Membership No. 205703

Place: Bengaluru

Date: 02 May 2019

*for and on behalf of Board of Directors of*

**Terrier Security Services (India) Private Limited**

**Lt. Col. Darshan Singh Bal**

Managing Director

DIN : 02679849

**Guruprasad Srinivasan**

Director

DIN:07596207

Place: Bengaluru

Date: 02 May 2019

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**Terrier Security Services (India) Private Limited**
**Statement of Changes in Equity**

*(Amount in Rs)*

| Particulars | Reserves and Surplus | | Other Comprehensive Income | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|
| | Retained Earnings | Other Reserve | Other Items of Other comprehensive Income | |
| **Balance as of 1 April 2017** | **242,783,588** | **1,100,000** | **2,071,981** | 245,955,569 |
| Add: Profit for the year | 56,128,945 | - | - | 56,128,945 |
| Add : Financial Value of Corporate Guarantee | - | 1,100,000 | - | 1,100,000 |
| Add: Remeasurement of the net defined benefit Liability/Asset, net of tax effect | - | - | (3,944,544) | (3,944,544) |
| **Balance as of 31 March 2018** | **298,912,533** | **2,200,000** | **(1,872,563)** | **299,239,971** |
| Add: Profit for the year | 79,091,360 | - | - | 79,091,360 |
| Add: Remeasurement of the net defined benefit Liability/Asset, net of tax effect | - | - | 2,857,619 | 2,857,619 |
| **Balance as of 31 March 2019** | **378,003,893** | **2,200,000** | **985,056** | **381,188,949** |

*The notes referred to above form an integral part of the financial statements*
*As per our report of even date attached*
*for* **Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 02 May 2019

*for and on behalf of Board of Directors of*
**Terrier Security Services (India) Private Limited**

**Lt. Col. Darshan Singh Bal**
Managing Director
DIN : 02679849

**Guruprasad Srinivasan**
Director
DIN:07596207

Place: Bengaluru
Date: 02 May 2019

**Terrier Security Services (India) Private Limited**
**Statement of Cash Flows**

*(Amount in Rs)*

| | For the year ended | |
|---|---|---|
| | **31 March 2019** | **31 March 2018** |
| **Cash flow from operating activities** | | |
| Profit/(loss) for the year | 3,393,928 | 38,864,956 |
| **Adjustments for:** | | |
| Depreciation and amortisation of fixed assets | 24,151,247 | 7,873,297 |
| Loss/(Profit) on sale of fixed assets, net | (1,654,727) | (56,057) |
| Bad debts written off | 111,720 | - |
| Allowance for credit loss | 40,906,860 | 2,553,337 |
| Interest income on term deposits | (480,768) | (622,806) |
| Finance costs | 20,178,115 | 6,968,289 |
| **Operating cash flows before working capital changes** | **86,606,375** | **55,581,016** |
| **Working capital adjustments:** | | |
| **Changes in:** | | |
| Inventories | 3,495,255 | (2,037,633) |
| Trade and other receivable | (258,691,065) | (275,805,226) |
| Other financial assets | (148,197,916) | 178,458,888 |
| Other assets | (16,361,663) | (4,705,761) |
| Loans | 820,268 | (7,378,746) |
| Trade payables | 150,711,247 | 185,004,647 |
| Other financial liabilities | 25,826,310 | (82,383,390) |
| Other liabilities | 23,529,378 | 80,844,875 |
| Provisions | 422,484 | (3,746,470) |
| **Cash generated from operations** | **(131,839,327)** | **123,832,200** |
| Income taxes paid, net of refund | (72,898,001) | (20,684,408) |
| **Net cash (used in) / provided by operating activities (A)** | **(204,737,328)** | **103,147,792** |
| **Cash flows from investing activities** | | |
| Expenditure on property,plant and equipment and intangible net of sale proceeds | (7,981,199) | (47,035,295) |
| Proceeds from sale of fixed assets | 1,654,727 | 56,057 |
| Bank deposits (having original maturity of more than three months) | (10,810,009) | (1,185,817) |
| Interest income on term deposits | 480,768 | 622,806 |
| **Net cash (used in) / provided by investing activities (B)** | **(16,655,713)** | **(47,542,249)** |
| **Cash flows from financing activities** | | |
| Proceeds/(Repayment) from borrowings | 254,863,694 | (34,629,326) |
| Finance cost paid | (20,178,115) | (6,968,289) |
| **Net cash (used in) / provided by financing activities (C)** | **234,685,579** | **(41,597,615)** |
| Net increase in cash and cash equivalents (A+B+C) | 13,292,538 | 14,007,928 |
| Cash and cash equivalents at the beginning of the year | 23,926,553 | 9,918,625 |
| **Cash and cash equivalents at the end of the year (refer note 11)** | **37,219,091** | **23,926,553** |

The notes referred to above form an integral part of the financial statements
As per my report of even date attached

*for* **Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 02 May 2019

*for and on behalf of Board of Directors of*
**Terrier Security Services (India) Private Limited**

**Lt. Col. Darshan Singh Bal**
Managing Director
DIN : 02679849

**Guruprasad Srinivasan**
Director
DIN:07596207

Place: Bengaluru
Date: 02 May 2019

## 1. Company overview

Terrier Security Services (India) Pvt. Ltd., ('the Company') is a private limited company incorporated and domiciled in India. The registered office of the Company is located at 3/3/2, Bellandur Gate, Sarjapur Main Road, Bengaluru-560103, Karnataka state, India. The Company is engaged in the business of Security (Manned guarding), Electronic Security & Surveillance, Investigation & Verification Services & Training of guarding personnel.

### Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these Ind AS financial statements. Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use

## 2. Basis of preparation

### 2.1 Statement of compliance

The company being a subsidiary company of M/s.Quess Corp Ltd., a company whose equity is listed in both Bombay Stock Exchange (BSE) & National Stock Exchange, (NSE). These financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), the provisions of the Companies Act, 2013 ("Act"). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company's standalone Ind AS financial statements are approved for issue by the Company's Board of Directors on 2$^{nd}$ May 2019.

The standalone Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

### 2.2 Basis of measurement and significant accounting policies

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO") and

iii. Contingent consideration in business combinations are measured at fair value.

### 2.3 Use of estimates and judgement

The preparation of the standalone financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the

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most significant effect on the amounts recognised in the standalone financial statements is included in the following notes:

**2.4 Use of estimates and judgement**

i. ***Contingent liabilities:*** Contingent liabilities are not recognized in the financial statements but are disclosed in the notes. They are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except, in the extremely rare circumstances where no reliable estimate can be made).

ii. ***Recognition of deferred tax assets***: Availability of future taxable profit against which tax losses carried forward can be used.

iii. ***Income taxes:*** Significant judgements are involved in determining provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

iv. ***Measurement of defined benefit obligations:*** The cost of the defined benefit obligations is based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

v. ***Impairment of financial assets:*** The Company assesses on a forward-looking basis the expected credit loss associated with financial assets carried at amortized cost.

vi. ***Property, plant and equipment and Intangible assets:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically.

vii. ***Other estimates:*** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer creditworthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

**2.5 Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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## 2.6 Functional and presentation currency

Items included in the Standalone Ind AS financial statements of each of the Company are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency.

## 2.7 Property, plant and equipment

### i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the standalone statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the standalone statement of profit and loss when incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'

### ii)Depreciation methods, estimated useful lives and residual value

Depreciation is provided on a Straight-Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognized in the standalone statement of profit and loss. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed off). The Company has estimated the useful lives for property, plant and equipment as follows:

| Asset category | Estimated useful life for 31 March 2019 |
|---|---|
| Computer Equipment | 3 years |
| Plant and machinery | 3 years |
| Furniture and Fixtures | 5 years |
| Office Equipment | 5 years |

Leasehold improvements are depreciated over the lease term or estimated useful life whichever is lower.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

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Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in progress'.

### 2.8 Intangible assets

#### (i) Intangible assets

*Internally generated: Research and development*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software includes employee costs and an appropriate portion of relevant overheads.
Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

*Others*

Other intangible assets such as computer software, copyright and trademarks are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

#### (ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognised in the standalone statement of profit and loss as and when incurred.

#### (iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method and is included in depreciation and amortisation expenses in the standalone statement of profit and loss.

The estimated useful lives of intangible assets are as follows:

| Asset category | Estimated useful life for 31 March 2019 |
|---|---|
| Software (owned) | 3 years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

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### 2.9 Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the standalone statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset/ CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

### 2.10 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### 2.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Inventories are stated net of write down or allowances on account of obsolete, damaged or slow-moving items. The Company assess the obsolescence of inventory on a periodic basis.

### 2.12 Revenue recognition

The Company adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the consideration we expect to receive in exchange for those services.

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At contract inception, the Company assesses its promise to transfer services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognized as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognized as the services are performed as per the terms of the arrangement with the customer.

**Policy in case of Unbilled revenue and unearned revenue**

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

**Policy in case of Contract modifications**

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

**Policy in case of variable consideration**

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

**Policy in case of warranties**

The Company accrues the estimated cost of warranties at the time when the revenue is recognized. The accruals are based on the Company's historical experience of service delivery costs.

**Policy in case of cost of obtaining a contract**

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

**Policy in case of cost of fulfilling a contract**

The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

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**Policy in case of significant financing component**

The Company assesses the timing of the transfer of services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

**Policy in case of Principal vs agent**

The Company may enter into arrangements with third party suppliers to provide services. In such cases, the Company evaluates whether it is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether it controls the service before it is transferred to the customer. If the Company control the service before it is transferred to the customer, it is the principal; if not, it is the agent.

Refer Note 36 for disclosure related to revenue from contracts with customers.

**(a)Manned guarding services:**

Revenue from the Manned guarding services are primarily earned on a fixed fee basis and are recognized ratably over the period of the contract with the customers. All arrangements are on time basis and are recognized as the services are performed as per the terms of arrangement with the customers.

**(b)Electronic Security Surveillance (Sales & Services):**

Revenue from Electronic security surveillance services are earned and recognized on transfer of risk and reward/ successful implementation of every project undertaken. The annual maintenance service contracts, both comprehensive and non-comprehensive, are accepted after the expiry of warranty period given by the OEM's (original equipment manufacturers), the revenue is measured in the case of comprehensive AMC's based on the size of the project value and in the case of non-comprehensive AMC's the same is measured on case to case basis.

**(c)Training**

Revenue from Training services are earned on a fixed fee basis depending on the nature of training imparted such as firefighting, basic first aid, evacuation drill, fire mock drill, material management training, men management, key management, visitor management, discipline, communication, behavioral structure training etc., the revenue is recognized only after the completion of the training of the participants.

Revenue from training services is recognized prorated over the period of training.

**2.13Other income**

Other income mostly comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

**2.14Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in standalone statement of profit or loss.

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Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the standalone statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations (subsidiaries and joint venture) including goodwill and fair value adjustments arising on acquisition, are translated into INR, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed off, in full, the relevant amount is transferred to net profit in the standalone statement of profit and loss. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

## 2.15Financial instruments

### a)Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

### b)Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;
- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
   - the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
   - the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii) A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
   - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(iii) On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.

(iv) All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**b) Financial assets: Subsequent measurement and gains and losses**

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the standalone statement of profit and loss. |
| Financial assets at Amortized Cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the standalone statement of profit and loss. Any gain or loss on derecognition is recognised in the standalone statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the standalone statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the standalone statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the standalone statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to standalone statement of profit and loss. |

**c) Impairment of financial assets**

The company assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12-month ECL

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d) **Derecognition of financial assets**

A financial asset is derecognised only when:
- The Company has transferred the rights to receive cash flows from the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

**Financial liabilities**

**a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss (FVTPL) or amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

**Gains or losses on liabilities held for trading are recognized in the profit or loss.**

Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at FVTPL.

**Amortized cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit and loss.

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**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the standalone statement of profit and loss.

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.
Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.16 Employee benefits**

**(a) Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**(b) Compensated absences**

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit Method as at the reporting date.

**(c) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the standalone statement of profit and loss during the period in which the employee renders the related service.

**(d) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit

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entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the reporting date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the Statement of profit and loss does not include an expected return on plan assets. Instead net interest recognised in the Statement of profit and loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurement comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to the Statement of profit and loss in subsequent periods.

**(e) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**2.17Share based payments**

Equity instruments granted to the employees of the Company are measured by reference to the fair value of the instrument at the date of grant. The expense is recognised in the standalone statement of profit and loss with a corresponding increase to the share-based payment reserve, a component of equity. The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortisation). The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

**Amendment to Ind AS 102:**

Effective 1 April 2017, Ind AS 102 has been amended which provides specific guidance to measurement of cash-settled awards, modification of cash settled awards and awards that include a net settlement feature in respect of withholding taxes. The amendment did not have any effect on the standalone financial statements. The impact of the above stated amendment to the Company is Nil as the same is not applicable to Company.

**2.18Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the Statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

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Deferred tax is not recognised for:

-temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.

- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

-taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

**2.19Provisions**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

***Onerous contract***

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

**2.20Contingent liability**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

**2.21Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

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For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**2.22 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**Amendment to Ind AS 7:**

Effective 1 April 2017, the Company adopted the amendment to Ind AS 7 which requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

**2.23 Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

**2.24 Segment reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The company is engaged in the business of Software Support Services and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The company's management is of the opinion that the company does not have secondary segments and hence segment reporting is not applicable.

**2.25 Contributed equity**

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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**New Recent accounting pronouncements**

**(a) Standards issued but not yet effective**

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendment to Ind AS 115, 'Revenue from contracts with customers'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IFRS 15,' Revenue from contracts with customer' respectively. The amendment is applicable to the company from 1 January 2018.

**Ind AS 116 – Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options to be considered.

**Amendments to existing Ind AS:**

The following amended standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

**1. Amendment to *Ind AS 12 Income Taxes*: Appendix C – Uncertainty over Income Tax Treatments**
The Appendix addresses how to recognize, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

**2. Amendments to *Ind AS 109 Financial Instruments*: Prepayment Features with Negative Compensation**
Under Ind AS 109, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

**3. Amendments to *Ind AS 12 Income Taxes***
The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized.

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**4. Amendments to *Ind AS 23 Borrowing Costs***

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

**5. Amendments to *Ind AS 19 Employee Benefits***

This amendment requires:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognize in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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**Terrier Security Services (India) Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**

**3 Tangible assets** *(Amount in Rs)*

| Particulars | Leasehold improvements | Furniture and fixtures | Vehicles | Office equipment | Computer equipment | Total |
|---|---|---|---|---|---|---|
| **Gross block** | | | | | | |
| **As at 1 April 2017** | - | **3,581,028** | **16,620,949** | **4,250,924** | **4,673,639** | **29,126,540** |
| Additions during the year | 11,864,000 | 12,110,450 | 1,630,549 | 5,994,252 | 11,600,595 | 43,199,846 |
| Disposals for the year | - | - | 241,801 | - | - | 241,801 |
| **As at 31 March 2018** | **11,864,000** | **15,691,478** | **18,009,697** | **10,245,176** | **16,274,234** | **72,084,585** |
| Additions during the year | - | 450,681 | - | 1,834,563 | 5,227,252 | 7,512,496 |
| Reclassification | | | (130,000) | | 130,000 | - |
| Disposals for the year | - | - | 2,793,325 | - | - | 2,793,325 |
| **As at 31 March 2019** | **11,864,000** | **16,142,159** | **15,086,372** | **12,079,739** | **21,631,486** | **76,803,756** |
| **Accumulated Depreciation** | | | | | | |
| **As at 1 April 2017** | - | **1,810,632** | **11,583,767** | **3,792,905** | **1,279,069** | **18,466,373** |
| Depreciation for the year | 591,251 | 1,273,158 | 3,014,031 | 1,018,343 | 1,583,322 | 7,480,105 |
| Accumulated depreciation on deletion | - | - | 241,801 | - | | 241,801 |
| **As at 31 March 2018** | **591,251** | **3,083,790** | **14,355,997** | **4,811,248** | **2,862,391** | **25,704,677** |
| Depreciation for the year | 3,561,794 | 4,362,486 | 2,907,862 | 982,994 | 9,713,619 | 21,528,755 |
| Reclassification | | | (130,000) | | 130,000 | - |
| Accumulated depreciation on deletion | - | - | 2,648,052 | - | - | 2,648,052 |
| **As at 31 March 2019** | **4,153,045** | **7,446,276** | **14,485,807** | **5,794,242** | **12,706,010** | **44,585,381** |
| **Net Block :** | | | | | | |
| **As at 31 March 2019** | **7,710,955** | **8,695,882** | **600,565** | **6,285,497** | **8,925,476** | **32,218,375** |
| **As at 31 March 2018** | **11,272,749** | **12,607,688** | **3,653,700** | **5,433,928** | **13,411,843** | **46,379,905** |

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**Terrier Security Services (India) Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**

**4 Intangible Assets** *(Amount in Rs)*

| Particulars | Computer software | Total |
|---|---|---|
| **Gross block** | | |
| **Cost or Valuation** | | |
| **As at 1 April 2017** | **1,828,258** | **1,828,258** |
| Additions during the year | 4,077,250 | 4,077,250 |
| Disposals for the year | - | - |
| **As at 31 March 2018** | **5,905,508** | **5,905,508** |
| Additions during the year | 613,975 | 613,975 |
| Disposals for the year | - | - |
| **As at 31 March 2019** | **6,519,483** | **6,519,483** |
| **Accumulated Amortization** | | |
| **As at 1 April 2017** | **1,027,733** | **1,027,733** |
| Amortisation for the year | 634,994 | 634,994 |
| Accumulated Amortization on deletions | - | - |
| **As at 31 March 2018** | **1,662,727** | **1,662,727** |
| Amortisation for the year | 2,622,492 | 2,622,492 |
| Accumulated Amortization on deletions | - | - |
| **As at 31 March 2019** | **4,285,219** | **4,285,219** |
| **Net Block** | | |
| **As at 31 March 2019** | **2,234,264** | **2,234,264** |
| **As at 31 March 2018** | **4,242,782** | **4,242,782** |

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**5 Non-current loans**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 3,899,142 | 3,629,341 |
| | **3,899,142** | **3,629,341** |

**6 Deferred income tax assets**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Deferred tax on fixed assets | 5,843,456 | 2,209,242 |
| Deferred tax on weighted employees deduction | 79,335,809 | 21,960,549 |
| MAT Credit entitlement | 16,906,087 | 7,600,000 |
| Deferred tax others | 20,939,618 | 6,251,661 |
| | **123,024,970** | **38,021,453** |

**7 Income tax assets (net)**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Advance income tax/ (Provision for Income Tax) net | 176,029,608 | 112,437,693 |
| | **176,029,608** | **112,437,693** |

**8 Other non-current assets**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Capital advances | - | 975,823 |
| Prepaid expenses | - | 1,279,741 |
| | **-** | **2,255,564** |

**9 Inventories**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Valued at lower of cost and net realizable value* | | |
| Consumables | 1,044,439 | 3,883,289 |
| Stores and spares | 1,287,513 | 1,943,918 |
| | **2,331,952** | **5,827,207** |

**10 Trade receivables**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Unsecured* | | |
| Considered good | 1,064,790,159 | 847,117,674 |
| Considered Doubtful | 59,923,358 | 19,016,499 |
| Less: allowances for credit loss | (59,923,358) | (19,016,499) |
| | **1,064,790,159** | **847,117,674** |

Of the above, trade receivables from related parties are as below:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Trade receivable from related parties (refer note 39) | 105,922,211 | 40,180,188 |

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**11 Cash and cash equivalents**

(Amount in Rs)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Cash and cash equivalents* | | |
| Cash on hand | 23,711 | 94,552 |
| Balances with banks | | |
| In current accounts | 37,195,380 | 23,621,952 |
| In deposit accounts (mature within 3 months from the reporting date) | - | 210,049 |
| | **37,219,091** | **23,926,553** |

**12 Bank balances other than cash and cash equivalents above**

(Amount in Rs)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Deposit held as margin money (mature after 3 months from the reporting date) | 15,562,637 | 4,752,628 |
| | **15,562,637** | **4,752,628** |

**13 Current loans**

(Amount in Rs)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 14,044,030 | 14,864,298 |
| | **14,044,030** | **14,864,298** |

**14 Other current financial assets**

(Amount in Rs)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Interest accrued but not due | 434,309 | - |
| Unbilled revenue | 176,971,389 | 29,477,583 |
| | **177,405,698** | **29,477,583** |

**15 Other current assets**

(Amount in Rs)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Advances other than capital advances*** | | |
| Advances to suppliers | 17,689,291 | 5,407,932 |
| Advances to employees | - | 4,321,883 |
| Other advances | 1,324,035 | 1,165,664 |
| Prepaid expenses | 11,836,529 | 1,337,149 |
| | **30,849,855** | **12,232,628** |

**16 Share capital**

(Amount in Rs)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Authorised** | | |
| 10,00,000 equity shares of par value of Rs 10 each | 10,000,000 | 10,000,000 |
| | **10,000,000** | **10,000,000** |
| | | |
| **Issued, subscribed and paid-up** | | |
| 5,00,000 equity shares of par value of Rs 10 each, fully paid up | 5,000,000 | 5,000,000 |
| | **5,000,000** | **5,000,000** |

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**Terrier Security Services (India) Private Limited**
**Notes to the financial statements for the year ended 31 March 2019**

*(Amount in Rs)*

| | Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| | **SHARE CAPITAL** | **No. of Shares** | **No. of Shares** |
| A. | Authorised Share Capital | | |
| | Equity Shares of Rs. 10/- each | 1,000,000 | 1,000,000 |
| B. | Issued, Subscribed and Paid up Capital | | |
| | Equity Shares of Rs. 10/- each | 500,000 | 500,000 |
| | **TOTAL** | **500,000** | **500,000** |
| C. | Reconciliation of Paid up Share Capital | | |
| | Opening Paid up Equity Share Capital | 500,000 | 500,000 |
| | Add : Shares issued during the year | - | - |
| | Less : Shares bought back during the year | - | - |
| | Closing Paid up Equity Share Capital | 500,000 | 500,000 |

D. **List of Share holders having 5% or more Shares**

| Name of shareholders | % of Holding | No. of Shares | Value |
|---|---|---|---|
| **As at 31 March 2019** | | | |
| Quess Corp Limited | 49% | 245,000 | 2,450,000 |
| Heptagon Technologies Private Limited | 25% | 125,000 | 1,250,000 |
| Terrier Employee Welfare Trust ( EWT ) | 26% | 130,000 | 1,300,000 |
| **As at 31 March 2018** | | | |
| Quess Corp Limited | 49% | 245,000 | 2,450,000 |
| Capt. S. Ravi | 25% | 125,000 | 1,250,000 |
| Terrier Employee Welfare Trust ( EWT ) | 26% | 130,000 | 1,300,000 |

As per the records of the Company, including its register of members/ shareholders, the above shareholding represents both legal and beneficial ownership of the shares.

E. **Terms / Rights attached to Equity Shares**

1 The 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. The company declares and pays dividends in Indian rupees.

2 In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after payment of all preferential amounts. The distribution to the equity shareholders will be in proportion to the number of equity shares held by the shareholders.

17 **Other equity***

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Retained earnings | 378,003,893 | 298,912,534 |
| Other reserves | 2,200,000 | 2,200,000 |
| Other comprehensive income | 985,056 | (1,872,563) |
| | **381,188,949** | **299,239,971** |

* For detailed movement of reserves refer Statement of changes in Equity

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## 18 Non-current borrowings

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Secured* | | |
| Vehicle loan | - | 1,069,440 |
| | **-** | **1,069,440** |

Vehicle loan from banks carry interest @ 9.65% to 10.35% and are repayable based on the repayment schedule and are secured by way of hypothecation.

## 19 Non-current provisions

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Provision for employee benefit** | | |
| Provision for gratuity | 28,890,477 | 25,908,181 |
| | **28,890,477** | **25,908,181** |

## 20 Trade payables

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Dues to micro, small and medium enterprises | - | - |
| Dues to other than micro, small and medium enterprises | 341,167,515 | 190,456,268 |
| | **341,167,515** | **190,456,268** |

**Dues to micro, small and medium enterprises**
The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

## 21 Current borrowings

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Secured* | | |
| Cash credit and overdraft facilities * | 28,187,877 | 4,675,428 |
| *Loan from related parties, unsecured* | | |
| From Quess Corp Limited ** | 232,420,685 | - |
| | **260,608,562** | **4,675,428** |

* The Company has taken cash credit facility having interest rate at 3 months MCLR. The facilitiy is repayable on demand and is secured by entire current assets of the Company on both present and future and collateral by way of exclusive charge on the entire movable assets of the Company (excluding charge on vehicles) both present and future of

** The company has availed short term loan from its holding company - Quess Corp Limited wherein the repayment date should not exceed 12 months from the date of disbursement. The interest rate is charged quarterly at 10% per annum . *(Refer note 39)*

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## 22 Other current financial liabilities

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current maturities of long-term borrowings | 221,154 | 1,364,322 |
| ***Other Payables*** | | |
| Accrued salaries and benefits | 328,035,783 | 289,053,257 |
| Uniform deposits | 44,666,685 | 43,525,441 |
| Accrued Expense | 35,762,504 | 48,916,796 |
| | **408,686,126** | **382,859,816** |

## 23 Other current liabilities

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Balances payable to government authorities | 155,394,103 | 111,120,155 |
| Unearned revenue | - | 20,744,570 |
| | **155,394,103** | **131,864,725** |

## 24 Current provisions

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity | 5,771,048 | 4,877,752 |
| Provision for compensated absences | 13,466,530 | 17,888,598 |
| Provision for bonus | 79,436,471 | 81,325,130 |
| | **98,674,049** | **104,091,480** |

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## 25 Sale of services

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Manned guarding services | 4,165,869,345 | 3,213,285,887 |
| Electronic surveillance solutions | 68,302,982 | 72,789,342 |
| Training and other services | 42,094,940 | 1,518,186 |
| Background verification fees | 17,907,011 | 9,538,003 |
| | **4,294,174,278** | **3,297,131,418** |

## 26 Other income

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| *Interest received on financial assets- carried at amortised cost* | | |
| Interest on bank deposits | 480,768 | 622,806 |
| Finance income on present valuation of financial instruments | 433,979 | 465,131 |
| Interest on tax refunds | 5,970 | 5,203,393 |
| Profit on sale of property, plant and equipment and intangible assets | 1,654,727 | 56,057 |
| Miscellaneous income | 10,557,798 | 6,022,514 |
| | **13,133,242** | **12,369,901** |

## 27 Cost of material and stores and spare parts consumed

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Inventory at the beginning of the year | 5,827,207 | 3,789,574 |
| Add: purchases during the period | 41,002,652 | 60,194,461 |
| Less: Inventory at the end of the year | 2,331,952 | 5,827,207 |
| | **44,497,907** | **58,156,828** |

## 28 Employee benefits expense

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Salaries and wages | 3,433,266,000 | 2,614,068,088 |
| Contribution to provident and other funds | 400,579,882 | 318,527,422 |
| Staff welfare expenses | 43,595,133 | 8,296,325 |
| | **3,877,441,015** | **2,940,891,835** |

## 29 Finance costs

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Interest | 18,933,391 | 5,225,430 |
| Other borrowing costs | 1,244,724 | 1,742,859 |
| | **20,178,115** | **6,968,289** |

## 30 Depreciation and amortisation expense

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Depreciation and amortisation | 24,151,247 | 7,873,297 |
| | **24,151,247** | **7,873,297** |

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## 31 Other expenses

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Sub-contractor charges | 55,890,587 | 25,151,733 |
| Recruitment and training expenses | 26,417,497 | 2,694,156 |
| Rent | 17,105,706 | 13,616,911 |
| Power and fuel | 1,990,637 | 1,101,623 |
| Repairs & Maintenance | | |
| - others | 9,142,284 | 7,723,435 |
| Legal and professional fees | 135,505,355 | 175,568,667 |
| Rates and taxes | 2,947,414 | 383,663 |
| Printing and stationery | 3,875,071 | 2,402,598 |
| Travelling and conveyance | 30,862,321 | 18,473,714 |
| Communication expenses | 5,227,081 | 2,816,085 |
| Allowance for credit loss | 40,906,860 | 2,553,337 |
| Equipment hire charges | 150,000 | - |
| Insurance | 505,962 | 718,605 |
| Bank charges | 1,394,808 | 251,331 |
| Bad debts written off | 111,720 | - |
| Business promotion and advertisement expenses | 1,580,816 | 574,267 |
| CSR contributions | 1,352,471 | 1,529,611 |
| Donations | - | 374,400 |
| Deposits/ advances written-off | 1,847,053 | - |
| Miscellaneous expenses | 831,665 | 811,978 |
| | **337,645,308** | **256,746,114** |

## 31.1 Payment to auditors (net of GST; included in legal and professional fees)

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Statutory audit fees | 1,401,756 | 1,130,000 |
| Tax audit fees | 294,819 | 370,000 |
| Reimbursement of expenses | - | 80,887 |
| | **1,696,575** | **1,580,887** |

## 31.2 Details of CSR expenditure

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| a) Gross amount required to be spent by the Company during the year | 1,352,471 | 1,529,611 |
| b) Amount spent during the year | | |
| i) Construction or acquisition of any asset | - | - |
| ii) On purpose other than i) above | 1,352,471 | 1,529,611 |

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**32 Taxes**

**A. Amount recognised in profit and loss account**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| *Current income tax:* | | |
| In respect of the current period | (9,306,086) | (7,600,000) |
| Excess provision relating to prior years | - | 7,563,989 |
| *Deferred tax* | | |
| In respect of the current period | 85,003,518 | 17,300,000 |
| **Income tax credit/(expense) reported in the statement of profit and loss** | **75,697,432** | **17,263,989** |

**B. Reconciliation of effective tax rate**

*(Amount in Rs)*

| Particulars | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| Profit before tax | | 3,393,928 | | 38,864,956 |
| Computed expected tax expense | 34.94% | (1,185,974) | 33.06% | (12,849,920) |
| **Effect of:** | | | | |
| Non deductible expense | | (94,141) | | |
| Tax incentives | | 76,789,265 | | 22,549,920 |
| **Effective Tax Rate** | | **75,697,432** | | **9,700,000** |
| Less: Excess Provision relating to prior years | | - | | 7,563,989 |
| **Income tax credit/(expense) reported in the statement of profit and loss** | | **75,697,432** | | **17,263,989** |

The tax rates under Indian Income Tax Act, for the year ended 31 March 2019 and 31 March 2018 is 34.94% and 33.06% respectively.

**C. The following table provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Income tax assets | 185,335,694 | 120,037,693 |
| Income tax liabilities | (9,306,086) | (7,600,000) |
| **Net income tax assets/(liability) at the end** | **176,029,608** | **112,437,693** |

**D. Deferred tax assets, net**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax asset and liabilities are attributable to the following:** | | |
| **Deferred tax assets:** | | |
| Property, plant and equipment | 5,843,456 | 2,209,242 |
| Deferred tax on weighted employees deduction | 79,335,809 | 21,960,549 |
| MAT Credit entitlement | 16,906,087 | 7,600,000 |
| Deferred tax others | 20,939,618 | 6,251,661 |
| **Deferred tax assets** | **123,024,971** | **38,021,453** |

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**32 Taxes (continued)**

**E. Recognised deferred tax assets and liabilities**

Movement of deferred tax assets / liabilities presented in the balance sheet

*(Amount in Rs)*

| For the year ended 31 March 2019 | Opening balance | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax assets:** | | | | |
| Provision for employee benefits | 21,960,549 | 57,375,260 | - | 79,335,809 |
| Fixed assets | 2,209,242 | 3,634,214 | - | 5,843,456 |
| MAT credit entitlement | 7,600,000 | 9,306,087 | - | 16,906,087 |
| Others | 6,251,661 | 14,687,957 | - | 20,939,618 |
| | **38,021,453** | **85,003,518** | - | **123,024,971** |

*(Amount in Rs)*

| For the year ended 31 March 2018 | Opening balance | Recognized in profit or loss | Recognized in OCI | Closing balance |
|---|---|---|---|---|
| **Deferred tax assets:** | | | | |
| Provision for employee benefits | - | 21,960,549 | - | 21,960,549 |
| Fixed assets | 2,228,799 | (19,557) | - | 2,209,242 |
| Provision for gratuity | 8,875,333 | (8,875,333) | - | - |
| Provision of compensted absences | 3,934,385 | (3,934,385) | - | - |
| Present valuation of financial instruments | 5,682,936 | (5,682,936) | - | - |
| MAT credit entitlement | - | 7,600,000 | - | 7,600,000 |
| Others | | 6,251,661 | - | 6,251,661 |
| | **20,721,453** | **17,300,000** | - | **38,021,453** |

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**33 Financial instruments-fair value and risk management**
**Accounting classification and fair values**

**Fair value hierarchy**

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

a) recognised and measured at fair value

b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

The following table shows the carrying amount and fair value of financial assets and financial liabilities:

**As at 31 March 2019**

| Particulars | Carrying value | Fair value | | |
|---|---|---|---|---|
| **Financial assets** | **31 March 2019** | **Level 1** | **Level 2** | **Level 3** |
| **Amortised cost** | | | | |
| Trade and other receivables | 1,064,790,159 | - | - | - |
| Cash and cash equivalents | 37,219,091 | - | - | - |
| Other bank balances | 15,562,637 | - | - | - |
| Loans | 17,943,172 | - | - | - |
| Other financial assets | 177,405,698 | - | - | - |
| **Total financial assets** | **1,312,920,757** | - | - | - |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Trade and other payables | 341,167,515 | - | - | - |
| Borrowings | 260,608,562 | - | - | - |
| Other financial liabilities | 408,686,126 | - | - | - |
| **Total financial liabilities** | **1,010,462,203** | - | - | - |

**As at 31 March 2018**

| Particulars | Carrying value | Fair value | | |
|---|---|---|---|---|
| **Financial assets** | **31 March 2018** | **Level 1** | **Level 2** | **Level 3** |
| **Amortised cost** | | | | |
| Trade and other receivables | 847,117,674 | - | - | - |
| Cash and cash equivalents | 23,926,553 | - | - | - |
| Other bank balances | 4,752,628 | - | - | - |
| Loans | 18,493,639 | - | - | - |
| Other financial assets | 29,477,583 | - | - | - |
| **Total financial assets** | **923,768,077** | - | - | - |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Trade and other payables | 190,456,268 | - | - | - |
| Borrowings | 5,744,868 | - | - | - |
| Other financial liabilities | 382,859,816 | - | - | - |
| **Total financial liabilities** | **579,060,952** | - | - | - |

**Fair value hierarchy**

Level 1: This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference shares included in level 3.

**Fair valuation method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values

**A Financial Assets:**

Fair value of all these financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

1 **Borrowings:** It includes cash credit and overdraft facilities, working capital loan and bill discounting facilities. These short-term borrowings are classified and subsequently measured in the financial statements at amortized cost. Considering that the interest rate on the loan is reset on a monthly/quarterly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.

2 **Trade payables and other liabilities:** Fair values of trade and other liabilities are measured at balance sheet value, as most of them are settled within a short period and so their fair values are assumed to be almost equal to the balance sheet values.

3 **Financial liability:** The fair value of financial liability has been determined by discounting consideration payable on commitment to sell. The probability of the estimate within the range can be reasonably assessed and are used in the management's estimates of fair value of this put option.

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**34 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

**Risk management framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

**i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

The carrying amount of following financial assets represents the maximum credit exposure:

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by its customer. However, the management also considers the factors that may influence the credit risk of its customer base.

The Company has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for customers. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

**Impairment**

Expected credit loss assessment for corporate customers as at 31 March 2019 and 31 March 2018 are as follows:

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers.

Based on industry practices and the business environment in which the entity operates, the management considers that trade receivables are in default (credit impaired) if the payments are more than 360 days past due. Loss rates are based on actual credit loss experience over the last six quarters.

These rates have been adjusted to reflect the management's view of economic conditions over the expected lives of the receivables.

**The following table provides information about the exposure to credit risk and expected credit loss for trade receivables from customers:**

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 583,108,524 | 0.6% | 3,444,320 | No | 579,664,205 |
| Past due 1–90 days | 429,050,873 | 5.5% | 23,809,556 | No | 405,241,317 |
| Past due 91–180 days | 70,426,792 | 17.0% | 11,966,423 | No | 58,460,368 |
| Past due 181–270 days | 33,517,282 | 37.7% | 12,626,126 | No | 20,891,156 |
| Past due 271–360 days | 2,186,243 | 75.6% | 1,653,130 | No | 533,113 |
| Above 360 days | 6,423,804 | 100.0% | 6,423,804 | Yes | - |
| | **1,124,713,518** | | **59,923,359** | - | **1,064,790,159** |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | Gross carrying amount | Expected credit loss rate | Expected credit losses | Whether receivable is credit impaired | Carrying amount of trade receivables |
|---|---|---|---|---|---|
| Not due | 460,823,643 | 0.5% | 2,349,787 | No | 458,473,855 |
| Past due 1–90 days | 361,464,152 | 1.4% | 5,205,084 | No | 356,259,068 |
| Past due 91–180 days | 20,432,725 | 7.5% | 1,524,281 | No | 18,908,444 |
| Past due 181–270 days | 14,799,371 | 25.7% | 3,809,358 | No | 10,990,013 |
| Past due 271–360 days | 5,582,160 | 55.5% | 3,095,866 | No | 2,486,294 |
| Above 360 days | 3,032,123 | 100.0% | 3,032,123 | Yes | - |
| | **866,134,173** | | **19,016,499** | - | **847,117,674** |

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**34 Financial risk management (continued)**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Balance as at the beginning of the year** | 19,016,499 | 16,463,162 |
| Impairment loss recognised | 40,906,860 | 2,553,337 |
| Less: Amounts written off | - | - |
| **Balance as at the end of the year** | **59,923,358** | **19,016,499** |

**ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company's objective is to maintain a balance between cash outflow and inflow. Usually the excess of funds is invested in fixed deposit. This is generally carried out in accordance with practice and limits set by the Company. The limits vary to take into account the liquidity of the market in which the Company operates.

**i) Financing arrangement**

The Company maintains the following line of credit:

(i) The Company has taken cash credit and overdraft facilities having interest rate of **3 months MCLR**. These facilities are repayable on demand and are secured primarily by way of pari passu first charge on the current assets of the Company on both present and future and collateral by way of pari passu first charge on the movable assets of the Company (excluding charge on vehicles/equipments purchased /to be purchased under lease agreements/ hire purchase agreements) both present and future of the Company.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018. The amounts are gross and undiscounted contractual cash flows and includes contractual interest payment and exclude netting arrangements:

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | | Contractual cash flow | | | |
|---|---|---|---|---|---|
| | Carrying amount | Less than 1 year | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 260,608,562 | 260,608,562 | - | - | - |
| Trade payables | 341,167,515 | 341,167,515 | - | - | - |
| Other financial liabilities | 408,686,126 | 408,686,126 | - | - | - |

**As at 31 March 2018**

| Particulars | | Contractual cash flow | | | |
|---|---|---|---|---|---|
| | Carrying amount | Less than 1 year | 1-2 years | 2-5 years | 5 years and above |
| Borrowings | 4,675,428 | 4,675,428 | - | - | - |
| Trade payables | 190,456,268 | 190,456,268 | - | - | - |
| Other financial liabilities | 382,859,816 | 382,859,816 | - | - | - |

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Terrier Security Services (I) Pvt. Ltd. ★ Bangalore

**34 Financial risk management (continued)**

**iii) Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Company is not exposed to significant currency risk as the revenue and expenses are denominated only in INR.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowing comprises of vehicle loans, cash credit facility and borrowings from holding company. Vehicle loans and borrowings from holding company carries fixed rate of interest, which do not expose it to interest rate risk.

**Interest rate risk exposure**

**The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:-**

| **Particulars** | **31 March 2019** | | **31 March 2018** | |
|---|---|---|---|---|
| | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| Variable rate borrowings | (1,695,415) | 1,695,415 | (183,803) | 183,803 |

**35 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For this purpose, adjusted net debt is defined as aggregate of non-current borrowing, current borrowing, current maturities of long-term borrowings and current maturities of finance lease obligations less cash and cash equivalents.

*(Amount in Rs)*

| **Particulars** | **As at 31 March 2019** | **As at 31 March 2018** |
|---|---|---|
| Total External liabilities | 260,829,716 | 7,109,190 |
| Less: Cash and cash equivalent | 37,219,091 | 23,926,553 |
| Adjusted net debt (total borrowings net of cash and cash equivalent) | **223,610,625** | **(16,817,363)** |
| Total equity | 386,188,949 | 304,239,971 |
| **Net debt (Total external liabilities) to equity ratio** | **0.58** | **-0.06** |

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## 36 Revenue from Contracts with customers

### (i) Disaggregation of revenue

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in Rs)*

| Particulars | Total |
|---|---|
| **Revenues by Geography** | |
| India | 4,294,174,278 |
| **Total** | **4,294,174,278** |

### (ii) Trade Receivables and Contract Balances

The Company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue. Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 1,064,790,159 | 847,117,674 |
| Contract assets (Unbilled revenue) | 176,971,389 | 29,477,583 |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | - | 20,744,570 |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 29,477,583 |
| Add : Revenue recognized during the period | 155,040,966 |
| Less : Invoiced during the period | 7,547,160 |
| Less : Impairment / (reversal) during the period | - |
| Add: Changes due to Business Combinations | - |
| Add : Translation gain / (loss) | - |
| **Balance at the end** | **176,971,389** |

The following table discloses the movement in unearned revenue (contract liabilities) balances for the year ended 31 March 2019

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 20,744,570 |
| Add : Reclassified from assets held for sale | - |
| Less: Revenue recognized during the period | 20,744,570 |
| Add: Changes due to Business Combinations | - |
| Add: Invoiced during the period but not recognized as revenues | - |
| Add: Translation loss / (gain) | - |
| **Balance at the end** | - |

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Terrier Security Services (I) Pvt. Bangalore

## 36 Revenue from Contracts with customers

### (iii) Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the value of remaining performance obligations for

(i) contracts with an original expected duration of one year or less and

(ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is Nil.

### (iv) Changes in accounting policies

The Company has consistently applied the accounting policies to all periods presented in these financials statements, except for the change in Ind AS 115 "Revenue from contracts with customers".

Effective 1 April 2018, the Company has adopted Ind AS 115, using the cumulative effect method, accordingly the cumulative effect of initially applying Ind AS 115 is recognised in the opening equity as at 1 April 2018. In accordance with the cumulative effect method, the comparatives have not been retrospectively restated/ adjusted. The impact of the adoption of Ind AS 115 on the financial statements as at 1 April 2018 was insignificant.

As a result the Company has changed its accounting policy for revenue recognition, following is the summary of revised accounting policy. Refer note 1 Significant accounting policies in the Company's FY 18-19 Annual Report for the accounting policies prior to 1 April 2018.

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**37 Contingent liabilities and commitment**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Bank Guarantees issued | 19,063,505 | 19,383,100 |
| Capital commitments | - | 255,646 |
| **Indirect Tax** | | |
| Claims against company not acknowledged as debts | 7,717,420 | 3,171,972 |
| | **26,780,925** | **22,810,718** |

**38 Earnings per share**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Nominal value of equity shares (Rs per share) | 10 | 10 |
| Net profit after tax for the purpose of earnings per share (Rs) | 79,091,360 | 56,128,945 |
| shares used in computing basic | 500,000 | 500,000 |
| Basic earnings per share (Rs) | **158.18** | **112.26** |
| shares used in computing | 500,000 | 500,000 |
| Diluted earnings per share (Rs) | **158.18** | **112.26** |

**39 Related party disclosures**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| - Entity having common directors | Quess Corp Limited<br>Connect Business Solutions Limited<br>Golden Star Facilities and Services Private Limited<br>RML Agtech Private Limited<br>Syzygy Consultants Private Limited<br>Resolve Business Services (India) Private Limited<br>Pegasus HRD Center Limited<br>Pegasus West HRD Private Limited<br>Pegasus East HRD Private Limited<br>Quess Corp (Lanka) Private Limited<br>Quess global (Malaysia) Sdn Bhd<br>Inticore VJP Advance Systems Private Limited<br>Dependo Logistics Solutions Private Limited<br>Master Staffing Solutions Private Limited<br>Vedang Cellular Services Private Limited<br>Simpliance Technologies Private Limited<br>Heptagon Technologies Pvt Ltd<br>Quess Recruit Inc.<br>Trimax Smart Infraprojects Private Limited |
| - Entities in which key managerial personnel has significant influence | Pegasus HRD Centre Pvt. Ltd<br>Pegasus West HRD Centre Pvt. Ltd<br>Pegasus Foundation |
| - Having significant interest in the Company | Quess Corp Ltd |

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Terrier Security Services (India) Private Limited
Notes to the financial statements for the year ended 31 March 2019

**39 Related party disclosures (continued)**

**(i) Name of related parties and description of relationship:**

| | |
|---|---|
| -Subsidiaries of Quess Corp Ltd | Co-Achieve Solutions Private Ltd<br>MFX Infotech Private Limited<br>Brainhunter Systems Limited, Canada<br>Mindwire Systems Ltd, Canada (formerly known as ZYLOG SYSTEMS (OTTAWA) LTD.)<br>Brainhunter Companies Canada Inc, Canada<br>Brainhunter Companies LLC USA<br>Quess (Philippines) Corp. (formerly known as Magna Ikya Infotech Inc, Philippines)<br>Quess Corp (USA) Inc. (formerly known as Magna Infotech Inc.)<br>Quesscorp Holdings Pte. Ltd, Singapore<br>Quessglobal (Malaysia) SDN.BHD (formerly known as Brainhunter SDN. BHD., Malaysia)<br>Aravon Services Private Limited (formerly known as ARAMARK India Private Limited)<br>Ikya Business Services (Private) Limited<br>MFXchange Holdings Inc, Canada<br>MFXchange (Ireland) Limited<br>MFXchange US Inc.<br>MFX Roanoke Inc, USA (merged with MFXchange US, Inc. effective 31 December 2015)<br>Quess Corp Lanka Private Limited (Formerly known as Ranstad Lanka private Limited)<br>Dependo Logistics Solutions Private Limited<br>Inticore VJP Advanced Solutions Private Limited<br>Comtel Solutions Pte Ltd<br>CentreQ Business Services Private Limited<br>Excelus Learning Solutions Private Limited<br>ConnectQ Business Services Private Limited (Formerly known as Tata Business Support Services Private Limited)<br>Vedang Cellular Services Private Limited<br>Master Staffing Solutions Private Limited<br>Golden Star Facilities and Services Private Limited<br>Comtelpro Pte. Ltd<br>Comtelink Sdn. Bhd<br>Monster.com.SG PTE Limited<br>Monster.com.HK Limited<br>Monster Malaysia SDN. BHD<br>Monster.com (India) Pvt Ltd |
| -Associates of Quess Corp Ltd | Simpliance Technologies Private Limited<br>Heptagon Technologies Pvt Ltd |
| -Intermediate Holding of Quess Corp Ltd | Thomas Cook |
| -Joint Ventures of Quess Corp Ltd | Trimax Smart Infraprojects Private Limited |
| -Joint Ventures of subsidiary of Quess Corp Limited | Himmer Industrial Services (M) Sdn Bhd |
| -Fellow subsidiary of Quess Corp Limited | National Collateral Management Services Limited |

| **Key executive management personnel** | |
|---|---|
| Darshan Singh Bal | Managing Director |
| Ashok Kumar Mishra | Company Secretary |

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**39 Related party disclosures (continued)**

**(ii) Related party transactions during the year**

*(Amount in Rs)*

| Particulars | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Revenue from operations** | | | |
| - Services (Man Guard Services) | | | |
| | Pegasus HRD Centre Pvt. Ltd | - | 45,465 |
| | Pegasus West HRD Pvt. Ltd., | 553,680 | 456,394 |
| | Quess Corp Ltd | 49,184,143 | 37,515,894 |
| | Dependo Logistics Solutions Private Limited | 4,792,562 | 1,313,403 |
| | Inticore VJP Advance Systems Private Limited | 95,906 | 810,941 |
| | Master Staffing Solutions Pvt Ltd | 472,981 | 467,526 |
| | Excelus Learning Solutions Pvt Ltd | 10,198,249 | 6,025,754 |
| | MFX Infotech Private Limited | 1,192,959 | 865,478 |
| | Co-Achieve Solutions Private Ltd | - | 388,923 |
| | Golden Star Facilities and Services Pvt Ltd | 17,685,422 | 801,351 |
| | Net Resource Investment | 744,692 | 795,422 |
| | Thomas Cook (I) Ltd | 48,081,197 | 6,120,955 |
| | ConnectQ Business Services Private Limited | 44,784,410 | |
| | Monster.com (India) Pvt Ltd | 4,451,214 | |
| | Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | 16,170,856 | |
| | **Total** | **198,408,270** | **55,617,087** |
| - Sale of Electronic Surveillance Goods | Quess Corp Ltd | 7,087,833 | 8,309,679 |
| | Excelus Learning Solutions Pvt Ltd | - | 410,896 |
| | Dependo Logistics Solutions Private Limited | - | 11,310 |
| | MFX Infotech Private Limited | - | 35,163 |
| | **Total** | **7,087,833** | **8,767,048** |
| - Receiving of services | The People's Choice - Prop. Capt. S. Ravi | - | - |
| | Quess Corp Ltd | 120,944,000 | 156,867,643 |
| | Co-Achieve Solutions Private Ltd | - | 2,020,661 |
| | **Total** | **120,944,000** | **158,888,304** |
| -Loans taken from related parties | Quess Corp Ltd | 225,000,000 | |
| | **Total** | **225,000,000** | **-** |
| - Interest expenses | Quess Corp Ltd | 8,245,205 | - |
| | **Total** | **8,245,205** | **-** |
| - Remuneration | Lt. Col. Darshan Singh Bal | 6,000,000 | 6,000,000 |
| | **Total** | **6,000,000** | **6,000,000** |

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs)*

| Particulars | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| Trade receivables | | | |
| | Pegasus Foundation | - | 40,266 |
| | Pegasus West HRD Pvt Ltd | 401,486 | 155,352 |
| | Quess Corp Ltd | 51,853,681 | 23,255,343 |
| | Dependo Logistics Solutions Pvt Ltd | 3,085,401 | 1,085,390 |
| | Inticore VJP Advance Systems Private Limited | 195,801 | 81,232 |
| | Master Staffing Solutions Pvt Ltd | - | 551,679 |
| | Excelus Learning Solutions Pvt Ltd | 1,947,229 | 4,137,076 |
| | Golden Star Facilities and Services Pvt Ltd | 7,407,662 | 945,594 |
| | Co-Achieve Solutions Private Ltd | - | 404,308 |
| | MFX Infotech Private Limited | 1,631,338 | 2,333,589 |
| | Net Resource Investment | 67,633 | 107,131 |
| | Thomas Cook (I) Ltd | 15,497,548 | 7,083,228 |
| | ConnectQ Business Services Private Limited | 11,965,070 | - |
| | Monster.com (India) Pvt Ltd | 2,312,388 | - |
| | Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | 9,556,974 | - |
| | **Total** | **105,922,211** | **40,180,188** |

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**39 Related party disclosures (continued)**

**(iii) Balance receivable from and payable to related parties as at the balance sheet date:**

*(Amount in Rs)*

| Particulars | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| Trade payables | | | |
| | Quess Corp Ltd | 322,314,192 | 167,664,322 |
| | Co-Achieve Solutions Private Ltd | - | 368,902 |
| | Master Staffing Solutions Pvt Ltd | 723,004 | - |
| | **Total** | **323,037,196** | **168,033,224** |
| Borrowings | | | |
| | Quess Corp Ltd | 232,420,685 | - |
| | **Total** | **232,420,685** | - |
| Accrued expenses | | | |
| | Co-Achieve Solutions Private Ltd | - | 15,000,000 |
| | **Total** | - | **15,000,000** |

**40 Leases**

***Operating Leases***

The Company has taken on lease, offices and residential premises, under operating leases. The leases typically run for a period of one to ten years, with an option to renew the lease after that period. Lease payments are renegotiated at the time of renewal.

Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Payable within 1 year | 12,982,348 | 13,761,600 |
| Payable between 1-5 years | 21,665,493 | 36,043,200 |
| Payable later than 5 years | - | 220,800 |

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Total rental expense relating to operating lease | 17,105,706 | 13,616,911 |
| - Non-cancellable | 10,698,600 | 9,801,600 |
| - Cancellable | 6,407,106 | 3,815,311 |

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**41 Assets and liabilities relating to employee benefits**

The following table sets out the funded status of the gratuity plans and the amounts recognized in the Company's financial statements as at 31 March 2019 and 31 March 2018:

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 34,661,525 | 30,785,933 |
| Liability for compensated absences | 13,466,530 | 17,888,598 |
| **Total employee benefit liability** | **48,128,055** | **48,674,531** |

**Reconciliation of net defined benefit liability/ asset**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| ***Reconciliation of present value of defined benefit obligation*** | | |
| Obligation at the beginning of the year | 103,384,594 | 76,698,783 |
| Current service cost | 28,728,385 | 24,919,354 |
| Interest cost | 7,730,625 | 5,748,326 |
| Benefit settled | (30,103,312) | (8,781,480) |
| Actuarial (gains)/ losses recognised in other comprehensive income | | |
| Actuarial (gain) / loss- Experience | 13,862,272 | 5,565,378 |
| Actuarial (gain) / loss- demographic assumptions | (14,280,213) | (3,390,774) |
| Actuarial (gain) / loss- financial assumptions | 4,412,203 | 2,625,007 |
| **Obligation at end of the year** | **113,734,554** | **103,384,594** |
| ***Reconciliation of present value of plan assets*** | | |
| Plan assets at beginning of the year, at fair value | 72,598,662 | 51,053,462 |
| Interest income on plan assets | 5,441,036 | 3,826,292 |
| Re-measurement- acturial gain/(loss) | - | - |
| Return on plan assets greater/(lesser) than discount rate | 1,136,643 | 855,067 |
| Contributions | 30,000,000 | 25,645,321 |
| Benefits settled | (30,103,312) | (8,781,480) |
| **Plans assets at end of year, at fair value** | **79,073,029** | **72,598,662** |
| **Net defined benefit liability** | **(34,661,525)** | **(30,785,932)** |

**Reconciliation of present value of the obligation and the fair value of the plan assets**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Fair value of plan assets at the end of the year | 79,073,029 | 72,598,662 |
| Present value of the defined benefit obligations at the end of the year | 113,734,554 | 103,384,594 |
| Liability recognised in the balance sheet | **34,661,525** | **30,785,932** |
| Current | 5,771,048 | 4,877,752 |
| Non-current | 28,890,477 | 25,908,181 |

**Expense recognised in profit or loss**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current service cost | 28,728,385 | 24,919,354 |
| Interest cost | 2,289,589 | 1,922,034 |
| Re-measurement- actuarial gain/(loss) recognised on OCI | 2,857,619 | 3,944,544 |
| **Net gratuity cost** | **33,875,593** | **30,785,932** |

**Remeasurement recognised in other comprehensive income**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | 3,994,262 | 4,799,611 |
| Remeasurement of the net defined benefit asset | (1,136,643) | (855,067) |
| | **2,857,619** | **3,944,544** |

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Terrier Security Services (I) Pvt. Ltd. Bangalore

**41 Assets and liabilities relating to employee benefits (contniued)**

**Plan assets**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Funds managed by insurer | 79,073,029 | 72,598,662 |
| | **79,073,029** | **72,598,662** |

**Defined benefit obligation - Actuarial Assumptions**

| | Associate employees | |
|---|---|---|
| **Particulars** | **ended 31 March 2019** | **For the year ended 31 March 2018** |
| Discount rate | 6.70%- 7.25% | 7.2%- 7.5% |
| Salary increase | 4%- 7.5% | 4%- 7.5% |
| Attrition rate > 5 year | 2%- 30% | 2%- 30% |
| Attrition rate < 5 year | 30%- 70% | 30%- 38% |
| Retirement age | 65 Years | 65 Years |

The Company expects to contribute Rs.4,82,38,047/- to its defined benefit plans during the fiscal year
As at 31 March 2019 and 31 March 2018, 100% of the plan assets were invested in insurer managed funds

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

**Core Employees**

*(Amount in Rs)*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 7,103,711 | 7,632,021 | 5,719,118 | 6,113,762 |
| Future salary growth(1% movement) | 7,627,344 | 7,103,247 | 6,111,247 | 5,717,900 |
| Attrition rate (1% movement) | 6,578,604 | 8,590,773 | 5,491,231 | 6,521,192 |

**Associate Employees**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 92,781,028 | 123,217,948 | 84,827,376 | 113,176,421 |
| Future salary growth(1% movement) | 123,621,297 | 92,278,211 | 113,594,820 | 84,332,731 |
| Attrition rate (1% movement) | 103,296,286 | 113,641,611 | 95,202,717 | 99,313,892 |

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Terrier Security Services (I) Pvt. Ltd. Bangalore

**42 Expenditure in foreign currency**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Repairs and maintenance | | |
| - Plant and Machinery | - | 3,450,667 |
| Material | - | 691,715 |

**43 Segment reporting**

The Board of directors of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is in the business of rendering Security services which is covered under similar arrangements and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards.

*Geographical information*

All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable geographical information.

**44 Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2018 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

*As per our report of even date attached*
*The notes referred to above form an integral part of the financial statements*

**for Vasan & Sampath LLP**
Chartered Accountants
Firm's Registration No:004542S/S200070

VASAN & SAMPATH LLP · BANGALORE INDIA · CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
*Partner*
Membership No. 205703

Place: Bengaluru
Date: 02 May 2019

*for and on behalf of Board of Directors of*
**Terrier Security Services (India) Private Limited**

**Lt. Col. Darshan Singh Bal**
Managing Director
DIN : 02679849

**Guruprasad Srinivasan**
Director
DIN:07596207

Place: Bengaluru
Date: 02 May 2019

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# INDEPENDENT AUDITOR'S REPORT

**To,**
**The Members**
**Heptagon Technologies Private Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Heptagon Technologies Private Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2019**, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules,2015, as amended, ("IND AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the loss and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS



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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. 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 standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude 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 standalone 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 the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order, to the extent applicable.

2) As required by Section 143 (3) of the Act, we report that;
   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standard specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   e. On the basis of the written representations received from the directors as on March 31, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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 B"; and

   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, 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 and accordingly there is no impact on its financial position;

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ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 10th May 2019

**ANNEXURE - A to the Independent Auditors' Report**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Heptagon Technologies Private Limited of even date)

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

b. The company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified annually. In our opinion, the periodicity is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification;

c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at March 31, 2019;

ii. The Company's operations does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act. Consequently, comment on clause (iii) of the order is not applicable;

iv. The company has not given any loans or guarantees. In our opinion and according to the information and explanations given to us, for the Investment made, the Company has complied with the provisions of Section 185 and 186 of the Act.

v. The Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;

vi. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;

vii. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities. As explained to us, the Company did not have any undisputed amounts outstanding as at last day of the financial year for a period of more than six months from the date they became payable,

b. According to the information and explanations given to us, there are no dues of provident fund, employee state insurance, income-tax, goods and service tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute

viii. According to the information and explanations given to us, the company has not defaulted in repayment of loan from financial institutions or banks.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Consequently, comment on clause (ix) of the Order is not applicable;

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit;

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xi. In our opinion and according to the information and explanations given to us the provisions of section 197 are not applicable to a private company. Accordingly, paragraph 3(xi) of the order is not applicable.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xii) of the Order is not applicable;

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable Indian accounting standards;

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Consequently, comment on clause (xiv) of the Order is not applicable;

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xv) of the Order is not applicable;

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Consequently, comment on clause (xvi) of the Order is not applicable.

*for* **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

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**Unnikrishnan Menon**
Partner
Membership number: 205703
Place: Bengaluru
Date: 10th May 2019

**ANNEXURE -B to the Independent Auditors' Report**

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Heptagon Technologies Private Limited of even date)

**Report on the Internal Financial Controls 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 **Heptagon Technologies Private Limited** ("the Company") as of **March 31, 2019** in conjunction with our audit of the standalone 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 ('ICAI'). 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.

**Auditors' 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[1] and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 standalone 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

[1] Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').

and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 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, 2019, 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.

for **Vasan & Sampath LLP**
**Chartered Accountants**
Firm Registration Number: 004542S/S200070

VASAN & SAMPATH LLP
BANGALORE INDIA
CHARTERED ACCOUNTANTS

**Unnikrishnan Menon**
Partner
Membership number: 205703

Place: Bengaluru
Date: 10th May 2019

**Heptagon Technologies Private Limited**

*(formerly known as Helpr Infotech India Private Limited)*

*(Amount in Rs)*

| **Balance Sheet** | **Note** | **31 Mar 2019** | **31 Mar 2018** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 2,917,749 | 776,883 |
| Other intangible assets | 4 | 46,788 | 73,431 |
| Intangible assets under development | 4 | 18,131,960 | 190,000 |
| **Financial assets** | | | |
| (i) Non- Current Investments | 5 | 682,727,692 | - |
| (ii) Non-current loans | 6 | 1,746,654 | 1,361,366 |
| Income tax assets (net) | 7 | 6,823,710 | 2,944,289 |
| Other non-current assets | 8 | 238,680 | - |
| **Total non-current assets** | | **712,633,233** | **5,345,969** |
| **Financial assets** | | | |
| (i) Current Investments | 9 | 717,429,636 | - |
| (ii) Trade receivables | 10 | 11,252,031 | 763,607 |
| (iii) Cash and cash equivalents | 11 | 4,729,327 | 3,495,762 |
| (iv) Bank balances other than cash and cash equivalents above | 12 | 7,500,000 | - |
| (v) Current loans | 13 | 1,321,761 | 4,836 |
| (vi) Unbilled revenue | 14 | 3,055,896 | - |
| (vii) Other current financial assets | 15 | 2,669,966 | - |
| Other current assets | 16 | 5,858,696 | 10,088,007 |
| **Total current assets** | | **753,817,313** | **14,352,212** |
| **Total Assets** | | **1,466,450,546** | **19,698,181** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 17 | 277,780 | 277,780 |
| Other equity | 18 | (43,319,231) | 6,539,089 |
| **Total equity** | | **(43,041,451)** | **6,816,869** |
| **Liabilities** | | | |
| Non-current provisions | 19 | 2,072,724 | 575,462 |
| **Total non-current liabilities** | | **2,072,724** | **575,462** |
| **Current liabilities** | | | |
| **Financial liabilities** | | | |
| (i) Current borrowings | 20 | 1,425,120,121 | 813,275 |
| (ii) Trade payables | 21 | 1,609,247 | 796,242 |
| (iii) Other current financial liabilities | 22 | 71,065,110 | 6,125,012 |
| Current provisions | 23 | 134,522 | 182,508 |
| Other current liabilities | 24 | 9,490,272 | 4,388,814 |
| **Total current liabilities** | | **1,507,419,273** | **12,305,851** |
| **Total Liabilities** | | **1,509,491,997** | **12,881,313** |
| **Total Equity and Liabilities** | | **1,466,450,546** | **19,698,181** |
| **Company overview and Significant accounting policies** | 1 & 2 | | |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
**for Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/ S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Place: Bengaluru
Date: 10 May 2019

for and on behalf of Board of Directors of
**Heptagon Technologies Private Limited**

**Rajesh Sankarappan**
*Director*
DIN: 06890226

Place: Coimbatore
Date: 10 May 2019

**Vijayramkumar Veeraraghavan**
*Director*
DIN: 07187951

Place: Coimbatore
Date: 10 May 2019

**Heptagon Technologies Private Limited**

*(formerly known as Helpr Infotech India Private Limited)*

*(Amount in Rs)*

| **Statement of Profit and Loss** | **Note** | **For the Year ended 31 Mar 2019** | **31 Mar 2018** |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 25 | 52,975,679 | 26,123,566 |
| Other income | 26 | 29,565,178 | 369,409 |
| **Total income** | | **82,540,857** | **26,492,975** |
| **Expenses** | | | |
| Employee benefit expenses | 27 | 31,353,962 | 33,265,266 |
| Finance costs | 28 | 122,493,435 | 4,404 |
| Depreciation and amortisation expenses | 29 | 599,126 | 226,035 |
| Other expenses | 30 | 15,330,136 | 9,070,697 |
| **Total expenses** | | **169,776,659** | **42,566,402** |
| **Loss before tax** | | **(87,235,802)** | **(16,073,427)** |
| **Tax expense** | 31 | - | - |
| **Total tax expenses** | | - | - |
| **Loss for the year** | | **(87,235,802)** | **(16,073,427)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Re-measurement gains / (losses) on defined benefit plans | | (350,291) | - |
| Other comprehensive income for the period | | 37,727,692 | - |
| **Total other comprehensive income, net of tax** | | **37,377,401** | - |
| **Total comprehensive income for the year** | | **(49,858,401)** | **(16,073,427)** |
| Earnings per equity share (face value of Rs 10 each) | | | |
| Basic | 39 | (3,140) | (654) |
| Diluted | | (3,140) | (654) |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
**for Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/ S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

Place: Bengaluru
Date: 10 May 2019

for and on behalf of Board of Directors of
**Heptagon Technologies Private Limited**

**Rajesh Sankarappan**
*Director*
DIN: 06890226

Place: Coimbatore
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**Vijayramkumar Veeraraghavan**
*Director*
DIN: 07187951

Place: Coimbatore
Date: 10 May 2019

**Heptagon Technologies Private Limited**
*(formerly known as Helpr Infotech India Private Limited)*
**Statement of Changes in Equity for the year ended 31 March 2019**

*(Amount in Rs)*

| Particulars | Share Capital | Other equity | | | Total Equity attributable to Equity holders of the Company |
|---|---|---|---|---|---|
| | | Reserves and Surplus | | Other Comprehensive Income | |
| | | Securities Premium | Retained Earnings | Remeasurement of the net defined benefit liability/ (asset) | |
| **Balance as at April 1, 2017** | **150,000** | **-** | **(74,959,573)** | - | **(74,809,573)** |
| Add: Issue of Equity Shares | 127,780 | - | - | - | 127,780 |
| Add: Premium received on issue of Equity Shares | - | 97,572,169 | - | - | 97,572,169 |
| Add: Loss for the year | - | - | (16,073,427) | - | (16,073,427) |
| **Balance as at March 31, 2018** | **277,780** | **97,572,169** | **(91,033,000)** | **-** | **6,816,949** |
| | | | | | |
| **Balance as at April 1, 2018** | **277,780** | **97,572,169** | **(91,033,000)** | - | **6,816,949** |
| Add: Fair value adjustment of Intangible assets under construction | | - | - | - | - |
| Add: Loss for the year | | - | (87,235,802) | - | (87,235,802) |
| Add: Other comprehensive income for the year | | - | - | - | - |
| Remeasurement gain/ (loss) on defined benefit plan | | - | - | (350,291) | (350,291) |
| Other comprehensive income for the period | - | - | - | 37,727,692 | 37,727,692 |
| **Balance as at March 31, 2019** | **277,780** | **97,572,169** | **(178,268,802)** | **37,377,401** | **(43,041,451)** |

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
**for Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/ S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

Place: Bengaluru
Date: 10 May 2019

VASAN & SAMPATH LLP • CHARTERED ACCOUNTANTS • BANGALORE INDIA

for and on behalf of Board of Directors of
**Heptagon Technologies Private Limited**

**Rajesh Sankarappan**
*Director*
DIN: 06890226

Place: Coimbatore
Date: 10 May 2019

**Vijayramkumar Veeraraghavan**
*Director*
DIN: 07187951

Place: Coimbatore
Date: 10 May 2019

Heptagon Technologies Private Limited
*(formerly known as Helpr Infotech India Private Limited)*

*(Amount in Rs)*

| Statement of Cash Flows | For the year ended 31 Mar 2019 | For the year ended 31 Mar 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | (87,235,802) | (16,073,427) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 599,126 | 226,035 |
| Dividend on mutual fund units | (31,731,921) | - |
| Interest income on term deposits | (213,336) | - |
| Interest income on present valuation of financial instruments | (161,076) | (82,286) |
| Loss on change in NAV of mutual fund | 2,570,364 | - |
| Finance costs | 122,493,435 | 4,404 |
| **Operating cash flows before working capital changes** | **6,320,791** | **(15,925,274)** |
| Changes in trade receivables and unbilled revenue | (13,544,319) | 857,675 |
| Changes in loans, other financial assets and other assets | (1,617,716) | (2,576,582) |
| Changes in trade payables and other financial liabilities | 2,912,959 | (80,053,003) |
| Changes in other liabilities and provisions | 43,928,216 | 4,592,897 |
| | **37,999,930** | **(93,104,287)** |
| Income taxes paid, net of refund | - | - |
| **Net cash provided by/ (used in) operating activities (A)** | **37,999,930** | **(93,104,287)** |
| Expenditure on property, plant and equipment and intangibles, net of sale proceeds | (20,655,308) | (1,212,073) |
| Investment in equity instruments | (682,727,692) | - |
| Investments in mutual fund units | (717,429,636) | - |
| Bank deposits (having original maturity of more than three months) | (7,500,000) | - |
| Interest income on term deposits | 213,336 | - |
| Dividend income on mutual funds | 29,088,667 | - |
| Interest income on present valuation of financial instruments | 161,076 | - |
| Loss on change in NAV of mutual fund | (2,570,364) | - |
| **Net cash used in investing activities (B)** | **(1,401,419,921)** | **(1,212,073)** |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 649,103,993 | - |
| Proceeds from issue of equity shares, net of issue expenses | - | 97,699,949 |
| Loans from related parties | 775,202,853 | - |
| Interest paid | (59,653,290) | (4,404) |
| **Net cash provided by financing activities (C)** | **1,364,653,556** | **97,695,545** |
| Net increase in cash and cash equivalents (A+B+C) | 1,233,565 | 3,379,185 |
| Cash and cash equivalents at the beginning of the period | 3,495,762 | 128,742 |
| **Cash and cash equivalents at the end of the year (refer note 11)** | **4,729,327** | **3,495,762** |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
**for Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/ S200070

**Unnikrishnan Menon**
Partner

Place: Bengaluru
Date: 10 May 2019

for and on behalf of Board of Directors of
**Heptagon Technologies Private Limited**

**Rajesh Sankarappan**
Director
DIN: 06890226

Place: Coimbatore
Date: 10 May 2019

**Vidyramkumar Veeraraghavan**
Director
DIN: 07187951

Place: Coimbatore
Date: 10 May 2019

Heptagon Technologies Private Limited

Notes to the financial statements for the year ended 31 March 2019

## 1. Company overview

Heptagon Technologies Private Limited (formerly known as Helpr Infotech India Pvt Ltd) ('Heptagon' or 'the Company') was incorporated on 23 July 2015 under the provisions of Companies Act, 2013, with its registered office in Coimbatore, India. The Company is engaged in the business of Information technology services & information technology products development.

The Company has changed its name from Helpr Infotech India Pvt Ltd to Heptagon Technologies Private Limited effective from 21st March 2017.

## 2. Basis of preparation

The company being an Associate Company of M/s.Quess Corp Ltd., a company whose equity is listed in both Bombay Stock Exchange (BSE) & National Stock Exchange, (NSE). These financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), the provisions of the Companies Act, 2013 ("Act"). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter

Accounting policies have been consistently applied except where a newly issued Indian Accounting Standard is initially adopted or a revision to an existing Indian Accounting Standard requires a change in the accounting policy hitherto in use.

The Company's standalone Ind AS financial statements are approved for issue by the Company's Board of Directors on 25April 2019.

The standalone Ind AS financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency

### 2.1 Basis of measurement and significant accounting policies

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

i. Certain financial assets and liabilities that are qualified to be measured at fair value (refer accounting policy on financial instruments);

ii. Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of Defined Benefit Obligations ("DBO") and

### 2.2 Use of estimates and judgement

The preparation of the standalone financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies

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VARAM & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA that have the most significant effect on the amounts recognised in the standalone financial statements is included in the following note

i. ***Income taxes:*** Significant judgements are involved in determining provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

ii. ***Measurement of defined benefit obligations:*** The cost of the defined benefit obligations are based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. All assumptions are reviewed on a periodic basis.

iii. ***Impairment of financial assets:*** The Company assesses on a forward-looking basis the expected credit losses associated with financial assets carried at amortised cost.

iv. ***Property, plant and equipment and Intangible assets:*** The useful lives of property, plant and equipment and intangible assets are determined by the management at the time the asset is acquired and reviewed periodically

v. ***Other estimates:*** The impairment of non-financial assets involves key assumptions underlying recoverable amounts including the recoverability of expenditure on internally-generated intangible assets.

## 2.3 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 2.4 Property, plant and equipment

### i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the items to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of profit and loss.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is classified as capital advances under other non-current assets and the cost of the assets not ready for intended use are disclosed under 'Capital work-in-progress'

**ii)Depreciation**

Depreciation is provided on a Straight-Line Method ('SLM') over the estimated useful lives of the property, plant and equipment as estimated by the Management and is generally recognized in the statement of profit and loss. The management believes that the useful lives as given below best represent the period over which the management expects to use these assets based on an internal assessment and technical evaluation where necessary. Hence, the useful lives for some of these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of). The Company has estimated the useful lives for property, plant and equipment as follows:

| **Asset category** | **Estimated useful life for 31 March 2019** |
|---|---|
| Plant and machinery | 3 years |
| Computer equipment | 3 years |
| Furniture and Fixtures | 5 years |
| Office equipment | 5 years |

Leasehold improvements are depreciated over the lease term or estimated useful life whichever is lower.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate.

## 2.5 Goodwill and intangible assets

### (i) intangible assets

*Internally generated: Research and development*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it

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Basis of measurement and significant accounting policies (continued)

- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software includes employee costs and an appropriate portion of relevant overheads.
Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

*Others*

Other intangible assets such as computer software, copyright and trademarks are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brand, is recognised in the statement of profit and loss as and when incurred.

**(iii) Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method and is included in depreciation and amortisation expenses in the standalone statement of profit and loss.

The estimated useful lives of intangible assets are as follows:

| Asset category | Estimated useful life for 31 March 2019 |
|---|---|
| Software (owned) | 3 years |
| TradeMark | 3 Years |

The residual values, useful lives and method of amortization of intangible assets are reviewed at each financial year end and adjusted if appropriate.

## 2.6 Impairment of non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

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The carrying amount of the asset/CGU is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

## 2.7 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

## 2.8 Revenue recognition

The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" effective April 1, 2018 using the cumulative catch-up transition method, applied to contracts that were not completed as at April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expect to receive in exchange for those services.

At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method.

Revenue from fixed-price, fixed time frame contracts are recognised as per the terms of the arrangement with the customer where there is no uncertainty as to measurement or collectability of consideration. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. In fixed rate contracts, the performance obligation and control are being satisfied and transferred over time and revenue is being recognized by measuring progress towards completion of the performance obligation. Certain arrangements are on time and material basis and are recognised as the services are performed as per the terms of the arrangement with the customer.

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Refer Note 42 for disclosure related to revenue from contracts with customers

**a) Policy in case of Unbilled revenue and unearned revenue**

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

**b) Policy in case of Contract modifications**

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

**c) Policy in case of variable consideration**

The Company accounts for variable considerations like, volume discounts, rebates and pricing incentives to customers as reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which we may be entitled.

**d) Policy in case of cost of obtaining a contract**

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

**e) Policy in case of cost of fulfilling a contract**

The Company recognizes contract fulfilment cost as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in future; and the costs are expected to be recovered. The asset so recognized is amortized on a systematic basis consistent with the transfer of services to customer to which the asset relates.

**2.9 Other income**

Other income mostly comprises interest income on deposits, dividend income and gain/ (losses) on disposal of financial assets and non-financial assets. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established

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**2.10 Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit or loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in the statement profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations (subsidiaries and joint venture) including goodwill and fair value adjustments arising on acquisition, are translated into INR, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed off, in full, the relevant amount is transferred to net profit in the statement of profit and loss. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

**2.11 Financial instruments**

**a) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are recognized initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets.

**b) Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair Value through other comprehensive income (FVOCI) - debt investment;

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**Basis of measurement and significant accounting policies (continued)**

- Fair Value through other comprehensive income (FVOCI) - equity investment; or
- Fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
  - the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(ii) A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
  - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

(iii) On initial recognition of an equity investment that is not held for trading, the Company irrevocably elects to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-to-investment basis.

**b)Classification and subsequent measurement (continued)**

(iv) All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit and loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Any gain or loss on derecognition is recognised in the statement of profit and loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of profit and loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss. |

**c) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Company determines whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss allowance on financial assets trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL

**d)Derecognition of financial assets**

A financial asset is derecognised only when:
- The Company has transferred the rights to receive cash flows from the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

**Financial liabilities**

**Classification, subsequent measurement and gains and losses**
Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss. Other financial liabilities subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit and loss. Any gain or loss is also recognized in the statement of profit and loss.

**2.12Employee benefits**

**(a) Short-term benefit plans**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the amount of obligation can be estimated reliably.

**(b) Compensated absences**

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The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit Credit Method as at the reporting date.

**(c) Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**(d) Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the reporting date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the Statement of profit and loss does not include an expected return on plan assets. Instead net interest recognised in the Statement of profit and loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive income.

Remeasurement comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to the Statement of profit and loss in subsequent periods.

**(e) Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes cost for restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**2.13 Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the Statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the

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reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or the substantive enactment date.

Deferred tax is not recognised for:

-temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction.

- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

-taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised/reduced to the extent that it is probable/no longer probable respectively that the related tax benefit will be realised.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12 defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

**2.14Provisions**

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the reporting date) at a pre -tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost. Expected future operating losses are not provided for.

*Onerous contract*

A contract is considered to be onerous when the expected economic benefit to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognizes any impairment loss on the assets associated with the contract.

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## 2.15 Contingent liability

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are disclosed in the financial statements if an inflow of economic benefits is probable.

## 2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

## 2.17 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/ loss for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**Amendment to Ind AS 7:**

Effective 1 April 2017, the Company adopted the amendment to Ind AS 7 which requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.

## 2.18 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that are dilutive and which either reduces earnings per share or increase loss per share are included.

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### 2.19 Segment reporting

Based on the "management approach" as defined in Ind AS 108, Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along these business segments viz. People and Services, Integrated Facility Management, Global Technology Solutions and Industrials and Internet business.

### 2.20 Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Note on Recent Pronouncement:

**Standards issued but not yet effective**

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs (MCA) on 30th March, 2019) which are effective for annual period beginning after 1st April, 2019. The Company intends to adopt these standards or amendments from the effective date.

**Ind AS 116 – Leases:**

Ind AS 116 Leases replaces existing lease accounting guidance i.e. Ind AS 17 Leases. It sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, except short-term leases and leases for low-value items, under a single on-balance sheet lease accounting model. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting largely unchanged from the existing standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on the preliminary assessment, the Company does not expect any significant impacts on transition to Ind AS 116. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information when the standard will be adopted. The quantitative impacts would be finalised based on a detailed assessment which has been initiated to identify the key impacts along with evaluation of appropriate transition options.

**Amendments to existing Ind AS:**

The following amendments to existing standards are not expected to have a significant impact on the Company's standalone financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company when it will adopt the respective amended standards.

1. Amendment to Ind AS 12 Income Taxes
2. Amendment to Ind AS 19 Employee Benefits
3. Amendment to Ind AS 23 Borrowing Costs
4. Amendment to Ind AS 109 Financial Instruments

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**3 Property, plant and equipment** *(Amount in Rs)*

| Particulars | Furniture and fixtures | Office equipment | Plant and machinery | Computer equipment | Total |
|---|---|---|---|---|---|
| **Gross block/Deemed Cost** | | | | | |
| **As at 1 April 2017** | - | 20,000 | - | 36,478 | 56,478 |
| Additions during the year | 21,800 | 165,648 | 26,406 | 728,219 | 942,072 |
| Disposals for the year | | - | - | - | - |
| **As at 31 March 2018** | **21,800** | **185,648** | **26,406** | **764,697** | **998,550** |
| Additions during the year | 349,571 | 380,782 | - | 1,982,995 | 2,713,348 |
| Disposals for the year | | - | - | - | - |
| **As at 31 March 2019** | **371,371** | **566,430** | **26,406** | **2,747,692** | **3,711,898** |
| **Accumulated Depreciation** | | | | | |
| **As at 1 April 2017** | - | 1,560 | - | 642 | 2,202 |
| Depreciation for the year | 1,065 | 13,714 | 96 | 204,590 | 219,465 |
| Accumulated depreciation on deletions | | | | | - |
| **As at 31 March 2018** | **1,065** | **15,274** | **96** | **205,232** | **221,667** |
| Depreciation for the year | 20,358 | 66,589 | 2,029 | 483,507 | 572,484 |
| Accumulated depreciation on deletions | | | | | - |
| **As at 31 March 2019** | **21,423** | **81,863** | **2,125** | **688,739** | **794,151** |
| **Net Block :** | | | | | |
| **As at 31 March 2019** | **349,948** | **484,567** | **24,281** | **2,058,953** | **2,917,749** |
| **As at 31 March 2018** | **20,735** | **170,374** | **26,310** | **559,465** | **776,883** |

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**4 Intangible Assets**

*(Amount in Rs)*

| Particulars | Trademark | Intangible assets under development* | Total |
|---|---|---|---|
| **Gross block** | | | |
| **As at 1 April 2017** | 80,000 | 190,000 | 270,000 |
| Additions during the year | - | - | - |
| Disposals for the year | - | - | - |
| **As at 31 March 2018** | **80,000** | **190,000** | **270,000** |
| Additions during the year | - | 17,941,960 | 17,941,960 |
| Disposals for the year | - | - | - |
| **As at 31 March 2019** | **80,000** | **18,131,960** | **18,211,960** |
| **Accumulated Depreciation** | | | |
| **As at 1 April 2017** | 6,569 | - | 6,569 |
| Amortisation for the year | | - | - |
| Accumulated amortisation on deletions | | - | - |
| **As at 31 March 2018** | **6,569** | **-** | **6,569** |
| Amortisation for the year | 26,643 | - | 26,643 |
| Accumulated amortisation on deletions | | - | - |
| **As at 31 March 2019** | **33,212** | **-** | **33,212** |
| **Net Block** | | | |
| **As at 31 March 2019** | **46,788** | **18,131,960** | **18,178,748** |
| **As at 31 March 2018** | **73,431** | **190,000** | **263,431** |

During the year the Company is in the process of developing People Chain and People Desk software. These products are in the development phase and all the related cost incurred towards these product has been capitalised. Refer note 44.

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**5 Non-current investments**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| **Unquoted** | | |
| **Investment carried at fair value through other comprehensive income** | | |
| Investments in equity and other instruments (refer note A below) | 682,727,692 | - |
| | **682,727,692** | **-** |

*(Amount in Rs)*

| A Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| **Unquoted - Trade** | | |
| **Investment carried at fair value through other comprehensive income** | | |
| **Other non-current investments** | | |
| Investment in Terrier Securities Pvt. Ltd. | 682,727,692 | - |
| **Total investments in equity accounted investees** | **682,727,692** | **-** |

(i) During the year ended 31 March 2019, the Company had entered into Share Purchase Agreement ("SPA") with Terrier Security Services (India) Private Limited ("Terrier") and its shareholder Captain S Ravi dated 10 May 2018, to acquire shareholding of Captain S Ravi i.e 25% stake (1,25,000 shares) for consideration of Rs.64.50 crore mentioned in the SPA. However, the Company is not in a position to exert control as it does not have the power to govern the relevant activities. Further, the Company has no other contractual rights/arrangements that provides control to the Heptagon.
Therefore, Heptagon does not have any control on Terrier and money invested in Terrier to acquire 25% holding will be accounted as investment.

**6 Non current loans**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 1,746,654 | 1,361,366 |
| | **1,746,654** | **1,361,366** |

The Company has fair valued these security deposits under Ind AS.

**7 Income tax assets (net)**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Advance income tax (Refer note 31) | 6,823,710 | 2,944,289 |
| | **6,823,710** | **2,944,289** |

**8 Other non-current assets**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| *(Unsecured and considered good)* | | |
| Prepaid expenses | 238,680 | - |
| | **238,680** | **-** |

**9 Current Investments**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| **Investment carried at fair value through profit & loss** | | |
| Investments in liquid mutual fund units | 717,429,636 | - |
| | **717,429,636** | **-** |

**Details of investments in liquid mutual fund**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| 7,151,661.38 units (March 2018: Nil) Liquid Fund - DP monthly dividend | 720,000,000 | - |
| | **720,000,000** | **-** |
| **Aggregate value of quoted investments** | **720,000,000** | **-** |

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## 10 Trade receivables

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| **Unsecured** | | |
| Considered good (Refer note 34)* | 11,252,031 | 763,607 |
| Considered doubtful | - | - |
| | **11,252,031** | **763,607** |
| **Loss allowance (refer note 34)** | | |
| Unsecured considered good | - | - |
| Doubtful | - | - |
| | - | - |
| **Net trade receivables** | **11,252,031** | **763,607** |
| # receivable from related parties (refer note 41(C)) | 8,019,621 | - |

All trade receivables are current.The net carrying value of trade receivables is considered a reasonable approximation of fair value.

## 11 Cash and cash equivalents

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| ***Cash and cash equivalents*** | | |
| Cash in hand | 9,753 | 7,202 |
| Balances with banks | | |
| In current accounts | 4,719,574 | 3,488,560 |
| **Cash and cash equivalents in balance sheet** | **4,729,327** | **3,495,762** |
| Bank overdraft used for cash management purpose | - | - |
| **Cash and cash equivalent in the statement of cash flow** | **4,729,327** | **3,495,762** |

## 12 Bank balances other than cash and cash equivalents

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| In deposit accounts (mature within 12 months from the reporting date) | 7,500,000 | - |
| | **7,500,000** | **-** |

## 13 Current loans

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| *Unsecured, considered good* | | |
| Security deposits | 618,797 | - |
| | 618,797 | - |
| *Other loans and advances* | | |
| Loans to employees* | 702,964 | 4,836 |
| | **1,321,761** | **4,836** |

*There is no loss allowance required to be created for loans to employees as these are in the nature of advance given to employees for operating purpose.

## 14 Unbilled revenue

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Unbilled revenue* | 3,055,896 | - |
| | **3,055,896** | **-** |
| *includes unbilled revenue billable to related parties (refer note 41(C)) | 2,829,396 | - |

## 15 Other current financial assets

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Dividend receivable | 2,643,253 | - |
| Interest accrued but not due | 26,713 | - |
| | **2,669,966** | **-** |

## 16 Other current assets

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Advances to suppliers | 5,111,294 | 690 |
| Prepaid expenses | 11,011 | 289,296 |
| Balances with government authorities | 736,391 | 9,798,021 |
| | **5,858,696** | **10,088,007** |

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**17 Equity share capital**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| **Authorised** | | |
| 1,00,000 (31 March 2018: 1,00,000) equity shares of par value of Rs 10 each | 1,000,000 | 1,000,000 |
| | **1,000,000** | **1,000,000** |
| **Issued, subscribed and paid-up** | | |
| 27,778 (31 March 2018: 27,778) equity shares of par value of Rs 10 each, fully paid up | 277,780 | 277,780 |
| | **277,780** | **277,780** |

**17.1 Reconciliation of number of shares outstanding at the beginning and at the end of the year**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| At the commencement of the year | 27,778 | 277,780 | 15,000 | 150,000 |
| Shares issued on exercise of employee stock options | | | | |
| Shares issued during the year | - | - | 12,778 | 127,780 |
| At the end of the year | **27,778** | **277,780** | **27,778** | **277,780** |

**17.2 Details of shareholders holding more than 5% shares in the Company**

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount in Rs | Number of shares | Amount in Rs |
| **Equity shares** | | | | |
| Equity shares of par value Rs 10 each | | | | |
| Quess Corp Limited | 13,611 | 136,110 | 12,778 | 127,780 |
| Rengasamy Vignesh | 4,722 | 47,223 | 5,000 | 50,000 |
| Veeraraghavan Vijayramkumar | 4,722 | 47,223 | 5,000 | 50,000 |
| Sankarappan Rajesh | 4,722 | 47,223 | 5,000 | 50,000 |
| | **27,778** | **277,780** | **27,778** | **277,780** |

**17.3 Rights, preferences and restrictions attached to equity shares**

The Company has only one class of equity shares having a par value of Rs.10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. Each equity holder is entitled to one vote per share. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of preferential amounts if any, in proportion to the number of equity shares held.

**17.4** The Company has not made any buy back of shares or issued any shares for consideration other than cash, during the period of five years immediately preceding the balance sheet date.

**18 Other equity***

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Securities premium account (refer note 18.1) | 97,572,169 | 97,572,169 |
| Other comprehensive income (refer note 18.2) | 37,377,401 | - |
| Retained earnings | (178,268,802) | (91,033,080) |
| | **(43,319,232)** | **6,539,089** |

**18.1 Securities premium account**

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

**18.2 Other comprehensive income**

Remeasurement of defined benefit liability (asset) comprises actuarial gain and losses and impact of fair valuation of Investment in Terrier Security

* For detailed movement of reserves refer Statement of Changes in Equity.

**19 Non-current provisions**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 37) | 2,072,724 | 575,462 |
| Provision for compensated absences (refer note 37) | - | - |
| | **2,072,724** | **575,462** |

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**20 Current borrowings**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| *Secured* | | |
| Loans from bank repayable on demand (refer note 20.1) | 649,103,993 | - |
| *Loan from related parties, unsecured* | | |
| From Quess Corp Ltd. (refer note 20.2) | 775,700,000 | - |
| Loan from Directors | 316,128 | 813,275 |
| | **1,425,120,121** | **813,275** |

*Information about the Company's exposure to interest rate and liquidity risk is included in note 34.

20.1 The Company has taken loan from Citicorp Finance (India) Limited for acquisition of 25% of stake in Terrier Security Service Pvt. Ltd. of Rs.65 crore with a repayment period of 1 year at an interest rate 9%p.a. However the loan can be renewed for a maximum period of 5 years.

20.2 The Company has availed a loan of Rs.75.57 crore from Quess Cop Ltd. at the rate of 10% p.a which is repayable on demand.
The Company has also taken working capital loan from Quess Corp Ltd. for Rs. 2 crore at the rate of 10% p.a which can be converted into equity. As confirmed by Quess Corp Limited as on the reporting date, quess does not have an intention to convert this loan balance into equity.

**21 Trade payables**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises# | 1,609,247 | 796,242 |
| | **1,609,247** | **796,242** |
| # payable to related party (refer note 41(C)) | 19,076 | - |

The Company's exposure to currency and liquidity risk related to trade payables is disclosed in note 34

**22 Other current financial liabilities**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Interest accrued but not due# | 62,840,145 | - |
| ***Other payables*** | | |
| Accrued salaries and benefits | 8,224,965 | 6,125,012 |
| | **71,065,110** | **6,125,012** |
| # payable to related party (refer note 41(C)) | 57,871,652 | - |

The Company's exposure to currency and liquidity risk related to other current financial liabilities is disclosed in note 34.

**23 Current provisions**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 37) | 3,328 | 1,093 |
| Provision for compensated absences (refer note 37) | 131,194 | 181,415 |
| | **134,522** | **182,508** |

**24 Other current liabilities**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Income received in advance | 769,024 | 733,450 |
| Advance received from customers | 1,018,930 | - |
| Balances payable to government authorities | 7,298,183 | 3,409,354 |
| Provision for expense | 404,135 | 246,010 |
| | **9,490,272** | **4,388,814** |

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**25 Revenue from operations**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Sale of services (refer note 42) | 52,975,679 | 26,123,566 |
| | **52,975,679** | **26,123,566** |

**26 Other income**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Interest income on deposits with banks | 213,336 | - |
| Interest income under the effective interest method on: | | |
| Interest income on present valuation of financial instruments | 161,076 | 82,286 |
| Dividend income on mutual fund units | 31,731,921 | - |
| Liabilities and provisions reversed | 7,147 | 247,791 |
| Loss on change in NAV of mutual fund | (2,570,364) | - |
| Miscellaneous income | 22,062 | 39,332 |
| | **29,565,178** | **369,409** |

**27 Employee benefits expense**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Salaries and wages | 28,097,530 | 31,421,275 |
| Contribution to provident and other funds | 1,765,692 | 928,850 |
| Expenses related to post-employment defined benefit plan (refer note 37) | 1,149,206 | 576,555 |
| Expenses related to compensated absences | - | 181,415 |
| Staff welfare expenses | 341,534 | 157,171 |
| | **31,353,962** | **33,265,266** |

**28 Finance costs**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Interest expense on financial liabilities at amortised cost | 122,493,435 | 4,404 |
| | **122,493,435** | **4,404** |

**29 Depreciation and amortisation expense**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 3) | 572,483 | 219,466 |
| Amortisation of intangible assets (refer note 4) | 26,643 | 6,569 |
| | **599,126** | **226,035** |

**30 Other expenses**

*(Amount in Rs)*

| Particulars | 31 Mar 2019 | 31 Mar 2018 |
|---|---|---|
| Recruitment and training expenses | 116,343 | 124,012 |
| Rent (refer note 40) | 4,220,683 | 2,236,903 |
| Power and Fuel | 655,094 | 425,436 |
| Repairs & maintenance | | |
| - buildings | 571,404 | 257,279 |
| - plant and machinery | 154,075 | 89,220 |
| - others | 271,564 | 149,384 |
| Legal and professional fees (refer note 30.1) | 2,697,907 | 2,270,953 |
| Rates and taxes | 857,669 | 681,318 |
| Printing and stationery | 225,880 | 163,073 |
| Travelling and conveyance | 1,678,470 | 1,060,840 |
| Communication expenses | 1,187,674 | 1,389,712 |
| Technological support services | 2,106,162 | - |
| Bank charges | 13,621 | 10,218 |
| Business promotion and advertisement expenses | 553,410 | 15,498 |
| Foreign exchange loss, net | 933 | - |
| Miscellaneous expenses | 19,247 | 196,851 |
| | **15,330,136** | **9,070,697** |

**30.1 Payment to auditors (net of GST; included in legal and professional fees)**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Statutory audit fees | 75,000 | 70,000 |
| Tax audit fees | 25,000 | |
| | 100,000 | 70,000 |

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**31 Taxes**

The major components of income tax expense for the year ended 31 March 2019 and 31 March 2018 are as follows:

*(Amount in Rs)*

| Particulars | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| **Statement of profit and loss account** | | |
| Current income tax | - | - |
| Deferred tax | - | - |
| **Income tax expense reported in the statement of profit and loss** | - | - |
| **Other comprehensive Income** | | |
| Deferred tax related to items recognised in OCI during the year | - | - |
| **Income tax expense has been allocated as follows:** | | |
| - Deferred tax arising on income and expense recognised in other comprehensive income | - | - |
| **Total** | - | - |

**The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:**

*(Amount in Rs)*

| | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Profit before tax | - # | - # |
| Enacted income tax rate in India | 27.55% | 25.75% |
| **Effect of:** | | |
| Deferred tax credit | -* | |
| **Total income tax expense** | - | - |

The tax rates under Indian Income Tax Act, for the year ended 31 March 2018 and 31 March 2017 is 27.55% and 25.75% respectively.
# No tax recognition in the previous year since taxable loss incurred in the previous year.

**Deferred tax**

The company has not recognised deferred tax asset as at 31 March 2019 and 31 March 2018 due to absense of reasonable certainty of set off of unabsorbed losses against taxable profits in the forseeable future.

**The Company has not created deferred tax assets on the following:** *(Amount in Rs)*

| Particulars | As at | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Property, plant and equipment | 91,569 | 28,283 |
| Provision for doubtful receivables/deposits | - | - |
| Provision for compensated absence | (13,836) | 46,714 |
| Provision for gratuity | 316,606 | 148,463 |
| Remeasurement of defined benefit obligation | 96,505 | - |
| Losses available for offsetting against future taxable income | 22,431,934 | 6,511,933 |
| | **22,922,779** | **6,735,393** |

**The following table provides the details of income tax assets and income tax liabilities as of 31 March 2019 and 31 March 2018 :**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Income tax assets | 6,823,710 | 2,944,289 |
| Income tax liabilities | - | - |
| **Net income tax assets at the end of the year** | **6,823,710** | **2,944,289** |

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**32 Financial instruments - fair value and risk management**
**Financial instruments by category**

| Particulars | Note | 31 March 2019 FVTPL | 31 March 2019 FVTOCI | 31 March 2019 Amortised Cost |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Non-current investments | 5 | - | 682,727,692 | - |
| Loans | 6 and 13 | - | - | 3,068,415 |
| Current investments | 9 | 717,429,636 | - | - |
| Trade receivables | 10 | - | - | 11,252,031 |
| Cash and cash equivalents including other bank balances | 11 and 12 | - | - | 12,229,327 |
| Unbilled revenue | 14 | - | - | 3,055,896 |
| Other financial assets | 15 | - | - | 2,669,966 |
| **Total financial assets** | | **717,429,636** | **682,727,692** | **32,275,635** |
| **Financial liabilities:** | | | | |
| Borrowings | 20 | - | - | 1,425,120,121 |
| Trade payables | 21 | - | - | 1,609,247 |
| Other financial liabilities | 22 | - | - | 71,065,110 |
| **Total financial liabilities** | | - | - | **1,497,794,479** |

All the financials assets and liabilities for the year ended 31 March 2018 are carried at amortised cost

**Accounting classification and fair value**
The carrying value and fair value of financial instruments by categories as at 31 March 2019 and 31 March 2018 are as follows:
**Fair value hierarchy**
The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:
a) recognised and measured at fair value
b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

**As at 31 March 2019** *(Amount in Rs)*

| Particulars | Carrying value 31 March 2019 | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Amortised cost** | | | | |
| Trade receivables | 11,252,031 | - | - | - |
| Cash and cash equivalents | 4,729,327 | - | - | - |
| Other financial assets | 14,547,623 | - | - | - |
| **Financial assets measured at fair value** | | | | |
| Other non-current investments | 682,727,692 | - | - | 682,727,692 |
| Current investments | 717,429,636 | 717,429,636 | - | - |
| **Total financial assets** | **1,430,686,309** | **717,429,636** | - | **682,727,692** |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Borrowings | 1,425,120,121 | - | - | - |
| Trade payables | 1,609,247 | - | - | - |
| Other financial liabilities | 71,065,110 | - | - | - |

**As at 31 March 2018** *(Amount in Rs)*

| Particulars | Carrying value 31 March 2018 | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Amortised cost** | | | | |
| Trade receivables | 763,607 | - | - | - |
| Cash and cash equivalents | 3,495,762 | - | - | - |
| Other financial assets | - | - | - | - |
| **Total financial assets** | **4,259,369** | - | - | - |
| **Financial liabilities** | | | | |
| **Amortised cost** | | | | |
| Borrowings | 813,275 | - | - | - |
| Trade payables | 796,242 | - | - | - |
| Other financial liabilities | 6,125,012 | - | - | - |
| **Total financial liabilities** | **7,734,529** | - | - | - |

The management assessed that fair value of cash and short-term deposits, trade receivables, other current assets, borrowings, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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## 33 Fair value hierarchy

**Level 1:** This hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference shares, mutual funds and debentures that have quoted price.
**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in unquoted preference shares included in level 3.

The management assessed that fair value of financials assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Hence there are no financials assets or liabilities revalued at fair value except below items.

**Valuation inputs and relationships to fair value**
The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used (refer above notes for valuation technique adopted):

**Financial instruments measured at fair value**

| Particulars | Fair Value as at 31 March 2019 | Significant unobserva | Fair value as at 31 March 2019 | | Sensitivity |
|---|---|---|---|---|---|
| | | | Increase by 1% | Decrease by 1 % | |
| Other non-current investments (unquoted) | 682,727,692.25 | WACC change | 598.00 | (598.00) | Decrease and Increase in WACC by 1% point pp |
| | | Revenue projection | 63.00 | (63.00) | Decrease or increase in revenue projection by 1% |

**34 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

**i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry in which the customer operates, also has an influence on credit risk assessment.

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. As on 31 March 2019 and 31 March 2018, Company performed impairment testing for its trade and other receivables as a result of which there is no credit loss arised. Accordingly, disclosure pertaing to Expected credit loss for trade receivable is not applicable.

**ii) Liquidity risk**

The Company's principal source of liquidity are cash and cash equivalents and financial support from the holding company. Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**i) Financing arrangement**

The Company maintains the following line of credit:

(i) The Company has taken working capital loan from Quess Corp Ltd. having interest rate as per the 10 year govt bond rate. These facilities are repayable on

**As at 31 March 2019**

| Particulars | | Contractual cash flows | | |
|---|---|---|---|---|
| | Carrying amount | Less than 1 year | 1-2 years | 2 years and above |
| Borrowings | 1,425,120,121 | 1,425,120,121 | - | - |
| Trade payables | 1,609,247 | 1,609,247 | - | - |
| Other financial liabilities | 71,065,110 | 71,065,110 | - | - |

**As at 31 March 2018**

| Particulars | | Contractual cash flows | | |
|---|---|---|---|---|
| | Carrying amount | Less than 1 year | 1-2 years | 2 years and above |
| Borrowings | 813,275 | 813,275 | - | - |
| Trade payables | 796,242 | 796,242 | - | - |
| Other financial liabilities | 6,125,012 | 6,125,012 | - | - |

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is not exposed to Market risk as the Company does not have any major foreign transactions and interest rates are also fixed.

**iv) Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the related entities.

**Exposure to currency risk**

| Particulars | Currency | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|---|
| | | Foreign currency* | Amount in Reporting Currency | Foreign currency* | Amount in Reporting Currency |
| **Trade receivables** | | | | | |
| | MYR | 93,411 | 1,582,385 | - | - |
| | GBP | 1,383 | 125,207 | - | - |

The following significant exchange rates have been applied

| Particulars | Year end spot rate | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| MYR/ Reporting currency | 16.94 | - |
| GBP/ Reporting currency | 90.53 | - |

**Sensitivity analysis**

A reasonably possible strengthening/ (weakening) of the MYR and GBP against Reporting currency at 31 March 2019 and 31 March 2018 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **31 March 2019** | | | | |
| MYR (1% movement) | (15,823.85) | 15,823.85 | (11,464.38) | 11,464.38 |
| GBP (1% movement) | (1,252.07) | 1,252.07 | (907.12) | 907.12 |
| **31 March 2018** | | | | |
| MYR (1% movement) | - | - | - | - |
| GBP (1% movement) | - | - | - | - |

v) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company borrowings comprises of term loan taken from Citicorp Finance (India) Limited , working capital loan taken from Quess corp Ltd. andy loan from Director. Loan from Citicorp Finance (India) Limited and loan from director carry fixed rate of interest and is not exposed to significant interest rate risk. However, loan from Quess Corp Ltd is based is taken at variable interest rate of 10%.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Variable rate borrowings | 775,700,000 | - |
| Fixed rate borrowings | 649,420,121 | 813,275.00 |
| **Total borrowings** | **1,425,120,120.89** | **813,275.00** |

**(b) Sensitivity**

| Particulars | Profit and loss | | Equity, net of tax | |
|---|---|---|---|---|
| | 1% Increase | 1% decrease | 1% Increase | 1% decrease |
| **31 March 2019** | | | | |
| Variable rate borrowings | 643,018.36 | (643,018.36) | 467,795.85 | (467,795.85) |
| **31 March 2018** | | | | |
| Variable rate borrowings | (12.17) | 12.17 | (7.94) | 7.94 |

vi) **Price risk**

The Company's exposure to price risk arises from investments held by the company in the mutual fund units and classified as fair value through profit or loss in the financial statements.

To manage its price risk arising from investments in mutual fund units, the company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The exposure of the Company's mutual fund investments to security price changes at the end of the reporting period are as follows:

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Investments in mutual fund units | 717,429,635.62 | - |
| **Total investments** | **717,429,635.62** | - |

**Sensitivity**

*(Amount in Rs.)*

| Particulars | Impact on profit after tax | |
|---|---|---|
| | 1% increase | 1% decrease |
| 31 March 2019 | 18,622.29 | (18,622.29) |
| 31 March 2018 | - | - |

**35 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

Consistent with others in the industry, the company monitors capital on the basis of following gearing ratio:

Net debt (total liabilities net of cash and cash equivalent) divided by Total equity (as shown in balance sheet date)

*(Amount in Rs.)*

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total External Liabilities | 1,509,491,997 | 12,881,313 |
| Less: Cash and cash equivalent | 4,729,327 | 3,495,762 |
| **Adjusted net debt (borrowings net of cash and cash equivalent)** | **1,504,762,670** | **9,385,551** |
| Total equity | (43,041,451) | 6,816,869 |
| **Net debt (Total external liabilities) to equity ratio** | **(34.96)** | **1.38** |

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**36 Capital Commitments and commitments**

The company does not have any capital commitments and contingent laibility as at 31 March 2019 and 31 March 2018.

**37 Assets and liabilities relating to employee benefits**

A The Company operates post-employment defined benefit plan that provide gratuity. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Scheme is not funded. The Company accrued gratuity under the provisions of the Payment of Gratuity Act, 1972 as applicable as at the balance sheet date and the maximum payment is restricted to Rs 20 lakhs.

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net defined benefit liability, gratuity plan | 2,076,052 | 576,555 |
| Liability for compensated absences | 131,194 | 181,415 |
| **Total employee benefit liability** | **2,207,246** | **757,970** |
| Current | 134,522 | 182,508 |
| Non- Current | 2,072,724 | 575,462 |
| | **2,207,246** | **757,970** |

For details about employee benefit expenses, see note 2.13

**B Reconciliation of net defined benefit liability/ asset**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| ***Change in defined benefit obligation*** | | |
| Obligation at the beginning of the year | 576,555 | - |
| Current service cost | 1,105,419 | 576,555 |
| Interest cost | 43,787 | - |
| Benefit settled | - | - |
| Actuarial (gains)/ losses recognised in other comprehensive income | | |
| - Changes in experience adjustments | 285,776 | - |
| - Changes in financial assumptions | - | - |
| **Obligation at end of the year** | **2,076,052** | **576,555** |

**C i) Expense recognised in profit or loss**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Service cost | 1,105,419 | 576,555 |
| Net interest on net defined benefit liability/(asset) | 43,787 | - |
| **Net gratuity cost** | **1,149,206** | **576,555** |

**ii) Remeasurement recognised in other**

| Particulars | For the year ended '31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Remeasurement of the net defined benefit liability | 350,291 | - |
| Remeasurement of the net defined benefit asset | - | - |
| | **350,291** | - |

**D Defined benefit obligation - Actuarial Assumptions**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 7.25% | 7.60% |
| Salary increase | 10.00% | 10.00% |
| Attrition rate | 15.00% | 15.00% |
| Average duration of defined benefit obligation (in years) | 9 Years | 10 Years |

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The expected return on plan assets is based on expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

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**E Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 1,899,448 | 2,278,297 | 523,689 | 637,255 |
| Future salary growth(1% movement) | 2,270,555 | 1,902,104 | 635,265 | 524,324 |
| Attrition rate (50% movement) | 1,558,222 | 2,915,147 | 398,283 | 861,380 |

**F Leave encashment**

The Company has accounted the cost of leave encashment based on the actuarial valuation report obtained on 31 March 2019 and has estimated a leave encashment liability of Rs 131,194 (31 March 2018: Rs 1,81,415) under projected unit credit method as per Ind AS 19.

**Key assumptions used in the valuation of leave encashment Liability are as given below:**

*(Amount in Rs)*

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 7.25% | 7.60% |
| Salary increase | 10.00% | 10.00% |
| Attrition rate | 15.00% | 15.00% |
| Mortality rate | IALM (2006-08) published table of mortality rates | IALM (2006-08) published table of mortality rates |

38 **Dues to micro, small and medium enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2019 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006.

39 **Computation of Earnings per share (EPS)**

*(Amount in INR except number of shares and per share data)*

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2018** |
|---|---|---|
| Nominal value of equity shares | 10 | 10 |
| Net profit after tax for the purpose of earnings per share | (87,235,802) | (16,073,427) |
| Weighted average number of shares used in computing basic earnings per share | 27,778.00 | 24,579.41 |
| **Basic earnings per share** | **(3,140.46)** | **(653.94)** |
| Weighted average number of shares used in computing diluted earnings per share | 27,778.00 | 24,579.41 |
| **Diluted earnings per share*** | **(3,140.46)** | **(653.94)** |

* Refer note 20.2. Accordingly, the loan is not considered as potential equity and hence does not impact the diluted EPS

**Computation of weighted average number of shares**

| **Particulars** | **For the year ended 31 March 2019** | **For the year ended 31 March 2017** |
|---|---|---|
| **Number of equity shares outstanding at beginning of the year** | **27,778.00** | **15000** |
| **Add: Weighted average number of equity shares issued during the year** | | |
| - 11,693 number of equity shares issued on 22 June 2017 for 283 days | - | 9,066.08 |
| - 549 number of equity shares issued on 25 September 2017 for 188 days | - | 282.77 |
| - 536 number of equity shares issued on 26 October 2017 for 157 days | - | 230.55 |
| | **-** | **9,579.41** |
| **Weighted average number of shares outstanding at the end of year for computing basic and diluted earnings per share** | **27,778.00** | **24,579.41** |

40 Leases

***Operating Leases***

The Company is obligated under cancellable lease for office and residential premises, which are renewable at the option of lessor and lessee. Total rental expense under cancellable operating leases amounted to Rs 40,54,087 for the current year ending 31 March 2019 and Rs. 19,57,162 for the previous financial year ending on 31 March 2018.

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**41 Related party disclosures**

**(A) Name of related parties and description of relationship:**

| | |
|---|---|
| - Entity having significant influence | Fairfax Financial Holdings Limited<br>Thomas Cook (India) Limited<br>Fairfax (US) Inc.<br>National Collateral Management Services Limited |
| - Subsidiaries, associates and joint venture | Refer Note (i) |
| - Entity having common directors | Net Resources Investments Private Limited<br>Go Digit Infoworks Service Private Limited<br>Go Digit General Insurance Limited |
| - Entities in which key managerial personnel have significant influence | Styracorp Management Services (till 18 December 2018) |

**(i) List of subsidiaries (including step-subsidiaries), associates and joint venture**

| Name of the entity | Nature of relation |
|---|---|
| Coachieve Solutions Private Limited | Subsidiary |
| MFX Infotech Private Limited | Subsidiary |
| Aravon Services Private Limited | Subsidiary |
| Brainhunter Systems Ltd. | Subsidiary |
| Mindwire Systems Limited | Subsidiary |
| Brainhunter Companies LLC, USA | Subsidiary |
| Quess (Philippines) Corp. | Subsidiary |
| Quess Corp (USA) Inc. | Subsidiary |
| Quesscorp Holdings Pte. Ltd. | Subsidiary |
| Quessglobal (Malaysia) Sdn. Bhd. | Subsidiary |
| Quess Corp Lanka (Private) Limited | Subsidiary |
| Comtel Solutions Pte. Ltd. | Subsidiary |
| Ikya Business Services (Private) Limited | Subsidiary |
| MFXchange Holdings, Inc. | Subsidiary |
| MFXchange US, Inc. | Subsidiary |
| MFXchange (Ireland) Limited | Subsidiary |
| Quess Corp Vietnam LLC | Subsidiary |
| MFX Chile SpA | Subsidiary |
| Dependo Logistics Solutions Private Limited | Subsidiary |
| CentreQ Business Services Private Limited | Subsidiary |
| Excelus Learning Solutions Private Limited | Subsidiary |
| Inticore VJP Advance Systems Private Limited | Subsidiary |
| Conneqt Business Solution Limited (formerly known as Tata Business Support Services Limited) | Subsidiary |
| Vedang Cellular Services Private Limited | Subsidiary |
| Master Staffing Solutions Private Limited | Subsidiary |
| Golden Star Facilities and Services Private Limited | Subsidiary |
| Comtelpro Pte. Limited. | Subsidiary |
| Comtelink Sdn. Bhd | Subsidiary |
| Monster.com (India) Private Limited | Subsidiary |
| Monster.com.SG PTE Limited | Subsidiary |
| Monster.com HK Limited | Subsidiary |
| Agensi Pekerjaan Monster Malaysia Sdn. Bhd (formerly known as Monster Malaysia Sdn Bhd) | Subsidiary |
| Qdigi Services Limited (formerly known as: HCL Computing Products Limited) | Subsidiary |
| Greenpiece Landscapes India Private Limited | Subsidiary |
| Simpliance Technologies Private Limited | Subsidiary |
| Quesscorp Management Consultancies (formerly known as Styracorp Management Services) | Subsidiary |
| Quesscorp Manpower Supply Servcies LLC [formerly known as S M S Manpower Supply Services (LL | Subsidiary |
| Trimax Smart Infraprojects Private Limited | Associate |
| Terrier Security Services (India) Private Limited | Associate |
| Quess Recruit, Inc. | Associate |
| Quess East Bengal FC Private Limited | Associate |
| Agency Pekerjaan Quess Recruit Sdn. Bhd. | Associate |
| Himmer Industrial Services (M) Sdn. Bhd. | Joint venture |

**(ii) Key executive management personnel**

| | |
|---|---|
| Rengasamy Vignesh | Director |
| Veeraraghavan Vijayramkumar | Director |
| Sankarappan Rajesh | Director |
| Srinivasan Guruprasad | Director |
| Vijay Sivaram | Director |

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**(B) Transactions with related parties**

*(Amount in Rs)*

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Revenue from operations** | | |
| -Quess corp Limited | 30,245,969 | 20,426,001 |
| -Quess Global Malaysia Sdn BHD | 1,582,385 | |
| -Brainhunter Systems Limited | 1,952,500 | 288,135 |
| -Coacheive Solutions Pvt Ltd | 289,143 | |
| -Dependo Logistics Solutions Private Limited | 1,515,469 | 946,000 |
| -Monster.Com (India) Private Limited | 10,507,209 | |
| -Terrier Security Services (India) Pvt. Ltd. | 235,550 | |
| **Payment made by related parties on behalf of the Company** | | |
| -Quess corp Limited | | 49,264 |
| **Investment made in Equity Instruments** | | |
| -Terrier Security Services (India) Pvt. Ltd. | 682,727,692 | |
| **Compensation of key managerial personnel** | | |
| Rengasamy Vignesh | 2,128,400 | 1,748,400 |
| Veeraraghavan Vijayramkumar | 2,128,400 | 1,748,400 |
| Sankarappan Rajesh | 2,128,400 | 1,748,400 |

*The above compensation paid does not include cost of employee benefits such as gratuity and compensated absences since provision for these are based on an actuarial valuation carried out for the Company as a whole.

**(C) Balance receivable from and payable to related parties as at the balance sheet date:**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Trade payables** | | |
| -Quess corp Limited | 14,946 | 29,264 |
| -Coacheive Solutions Pvt Ltd | 4,130 | |
| **Trade receivables** | | |
| -Quess corp Limited | 4,415,268 | |
| -Quess Global Malaysia Sdn BHD | 1,582,385 | |
| -Monster.Com (India) Private Limited | 1,216,339 | |
| -Dependo Logistics Solutions Pvt Ltd | 392,904 | |
| -Brainhunter Systems Limited | 337,500 | 340,000 |
| -Terrier Security Services (India) Pvt. Ltd. | 75,225 | |
| **Unbilled revenue** | | |
| -Quess corp Limited | 1,779,433 | |
| -Brainhunter Systems Limited | 546,750 | |
| -Quess Global Malaysia Sdn BHD | 503,213 | |
| **Income received in advance** | | |
| -Quess corp Limited | 418,500 | |
| **Borrowings** | | |
| -Quess corp Limited | 775,700,000 | |
| **Interest payable on loan taken** | | |
| -Quess corp Limited | 57,871,652 | |
| **Unsecured loan payable** | | |
| Rengasamy Vignesh | 205,000 | 205,000 |
| Veeraraghavan Vijayramkumar | 28,457 | 500,604 |
| Sankarappan Rajesh | 82,671 | 107,671 |
| | **316,128** | **813,275** |
| **Accrued Expenses (Remuneration payable)** | | |
| Rengasamy Vignesh | 1,418,748 | 1,185,600 |
| Veeraraghavan Vijayramkumar | 1,421,882 | 1,185,600 |
| Sankarappan Rajesh | 1,409,419 | 1,185,600 |
| | **4,250,049** | **3,556,800** |

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## 42 Revenue from Contracts with customers

### (i) Disaggregation of revenue

The table below presents disaggregated revenues from contracts with customers by geography for each of our business segments for the year ended 31 March 2019. The company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

**Year ended 31 March 2019** *(Amount in INR)*

| Particulars | Technology solutions |
|---|---|
| **Revenues by Geography** | |
| India | 50,971,266 |
| Rest of the World | 2,004,413 |
| **Total** | 52,975,679 |

**Revenue disaggregation as per segment and geography has been included in segment information (Refer note 45).**

### (ii) Trade Receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.
Invoicing in excess of earnings are classified as unearned revenue.
Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

*(Amount in INR)*

| Particulars | As at 31 March 2019 | As at 1 April 2018 |
|---|---|---|
| Receivables, which are included in 'Trade and other receivables' | 11,252,031 | 763,607 |
| Contract assets (Unbilled revenue) | 3,055,896 | - |
| Contract liabilities (Unearned revenue & Advance r'd from customers) | 769,024 | 733,450 |

The unbilled revenue (contract assets) primarily relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognised on completion of contract terms.

The following table discloses the movement in unbilled revenue (contract assets) balances for the year ended 31 March 2019

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | - |
| Add : Revenue recognized during the period | 3,055,896 |
| Balance at the end | 3,055,896 |

The following table discloses the movement in unearned revenue (contract liabilities) balances for the year ended 31 March 2019

*(Amount in INR)*

| Particulars | For the year ended 31 March 2019 |
|---|---|
| Balance at the beginning | 733,450 |
| Less: Revenue recognized during the period | 2,269,552 |
| Add: Invoiced during the period but not recognized as revenues | 2,233,978 |
| Balance at the end | 769,024 |

Heptagon Technologies Private Limited

Heptagon Technologies Private Limited

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

### (iii) Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the company has not disclosed the value of remaining performance obligations for
(i) contracts with an original expected duration of one year or less and
(ii) contracts for which the company recognises revenue at the amount to which it has the right to invoice for services performed (typically those contracts where invoicing is on time and material basis).

The aggregate value of performance obligations that are completely or partially unsatisfied as of 31 March 2019, other than those meeting the exclusion criteria mentioned above, is Rs.30,55,896. The Company expects to recognize entire revenue of within the next one year.

### (iv) Changes in accounting policies

Except for the change in Ind AS 115, the Company has consistently applied the accounting policies to all periods presented in these financial statements.
The Company has adopted Ind AS 115 Revenue from Contracts with Customers with a date of initial application of 1 April 2018. As a result, the Company has changed its accounting policy for revenue recognition.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18.

The qunatitative impact of the adoption of Ind AS 115 on the financial statements in the period of initial application is not material.

Heptagon Technologies Private Limited

Heptagon Technologies Private Limited

VASAN & SAMPATH LLP BANGALORE INDIA CHARTERED ACCOUNTANTS

Heptagon Technologies Private Limited
*(formerly known as Helpr Infotech India Private Limited)*
Notes to the financial statements for the year ended 31 March 2019

**43 Earnings and expenditure in foreign currency**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Earning in foreign currency | 2,004,413 | |
| Expenses in foreign currency | 585,823 | - |

**44 Internally generated intangible asset under development**

As required under Ind AS 38, the mangement has assessed prescribed criteria required for recognition of Intangible assets as under ;
(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
(b) the cost of the asset can be measured reliably.
In respect of development phase of internally generated intangible asset. Disclosures below

| Product | People Desk | People Chain |
|---|---|---|
| Cost of Development | 67,16,455 | 1,51,14,755 |
| Cost recovered | (40,00,000) | - |
| **Total Cost under development** | **27,16,455** | **1,51,14,755** |

**45 Segment reporting**

The Director of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The Company is in the business of rendering Information technology services & Information technology products to clients which are covered under similar arrangements and is considered by CODM as the only reportable business segment taking into account the nature of the business, the organization structure, internal reporting structure and risk and rewards. All the assets of the Company are located in India. The Company caters to the needs of only the Indian market. Accordingly, there are no reportable secondary geographical segments.

46 Previous year figures are reclassified/regrouped wherever necessary.

**for Vasan & Sampath LLP**
*Chartered Accountants*
Firm's Registration No.: 004542S/ S200070

**Unnikrishnan Menon**
*Partner*
Membership No: 205703

VASAN & SAMPATH LLP CHARTERED ACCOUNTANTS BANGALORE INDIA

Place: Bengaluru
Date: 10 May 2019

for and on behalf of Board of Directors of
**Heptagon Technologies Private Limited**

**Rajesh Sankarappan**
*Director*
DIN: 06890226

Place: Coimbatore
Date: 10 May 2019

**Vijayramkumar Veeraraghavan**
*Director*
DIN: 07187951

Place: Coimbatore
Date: 10 May 2019

**HAFIZ & ASSOCIATES**
AF 002293
Chartered Accountants
A-30-05, 3 Two Square, 2, Jalan 19/1
46300 Petaling Jaya, Selangor
T +603 7622 0610
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E audit@vaersa.my
W www.vaersa.my

**INDEPENDENT PRACTITIONER'S REVIEW REPORT TO THE MEMBERS OF HIMMER INDUSTRIAL SERVICES (M) SDN. BHD.**
(Incorporated in Malaysia)
(Company No: 1185762-T)

We have reviewed the accompanying statement of unaudited financial results of Himmer Industrial Services (M) Sdn. Bhd. for the financial period from 1 April 2018 to 31 March 2019. Management is responsible for the preparation and fair presentation of these results in accordance with the Malaysian Private Entities Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express a conclusion on the financial results. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), issued by the Malaysian Institute of Accountants. This Standard requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements and requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of Material Misstatement.

A review of statement in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluating the evidence obtained and thus provides less assurance than an audit.
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards of Auditing. Accordingly, we do not express an audit opinion on these statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying statement do not present fairly, in all material respects, the financial position of Himmer Industrial Services (M) Sdn. Bhd. for the period 1 April 2018 to 31 March 2019, and (of) its financial performance for the period then ended, in accordance with the Malaysian Private Entities Reporting Standard.

**INDEPENDENT PRACTITIONER'S REVIEW REPORT TO THE MEMBERS OF HIMMER INDUSTRIAL SERVICES (M) SDN. BHD. (CONTINUED)**
(Incorporated in Malaysia)
(Company No: 1185762-T)

**Other Matters**

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Hafiz & Ass

HAFIZ & ASSOCIATES
Firm Number: AF 002293
Chartered Accountants

MUHAMAD HAFIZ BIN CHE YUSOF
Approved Number: 03125/06/2020 J
Chartered Accountant

25 APR 2019

**HIMMER INDUSTRIAL SERVICES (M) SDN. BHD.**
**STATEMENT OF INCOME FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 31 MARCH 2019**

The Directors of the Company estimate that, barring unforseen circumstances, the Statement of Income of the Company for the financial period from 1 April 2018 to 31 March 2019 will be as follows:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Revenue | 1,245,000 | - |
| Project cost | (1,124,342) | - |
| Gross profit | 120,658) | - |
| Administration expenses | (229,220) | (55,300) |
| Loss before taxation | (108,562) | (55,300) |
| Taxation | - | - |
| Loss after taxation | (108,562) | (55,300) |

HAFIZ & ASSOCIATES (AF 002293) CHARTERED ACCOUNTANTS

**HIMMER INDUSTRIAL SERVICES (M) SDN. BHD.**
**STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL PERIOD FROM 1 APRIL 2018 TO 31 MARCH 2019**

The Directors of the Company estimate that, barring unforseen circumstances, the Statement of Financial Position of the Company for the financial period from 1 April 2018 to 31 March 2019 will be as follows:-

| | 2019<br>RM | 2018<br>RM |
|---|---|---|
| Current Assets | | |
| Trade receivable | 524,700 | - |
| Other receivables and deposits | 164,720 | - |
| Cash and bank balances | 119,943 | 72,721 |
| | 809,363 | 72,721 |
| Current Liabilities | | |
| Trade payables | 980,968 | - |
| Other payable and accruals | 91,608 | 227,372 |
| | 1,072,576 | 227,372 |
| Net current liabilities | (263,213) | (154,651) |
| Financed By: | | |
| Share capital | 104,900 | 104,900 |
| Accumulated losses | (368,113) | (259,551) |
| | (263,213) | (154,651) |

HAFIZ & ASSOCIATES
(AF 002293)
CHARTERED ACCOUNTANTS

Quess Recruit, Inc.

Financial Statements

March 31, 2019 and 2018

And

Independent Auditors' Report

**ADRELIN O. MANANSALA, CPA**
Assurance | Tax | Accounting & Business Services

Unit 616 Cityland 10 Tower 1 H.V Dela Costa St.cor.
Valero St.Salcedo Village, Makati city
: adrelin.manansala@gmail.com
: +632 6255946

## INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Quess Recruit, Inc.
6F Sd Ty Tower Condo 104 Paseo de Roxas,
San Lorenzo, Legaspi Village, Makati City

### Report on the Financial Statements

I have audited the accompanying financial statements of Quess Recruit, Inc. which comprise the statements of financial position as of March 31, 2019 and 2018, and the statements of comprehensive income, statement of changes in equity and statements of cash flows for the years then ended and a summary of significant policies and other explanatory information.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of Quess Recruit, Inc. as at March 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

*Basis for Opinion*

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am independent of the Corporation in accordance with the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. 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 based on these financial statements.

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- I 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 deficiencies in internal control that I identify during my audit.

**Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010**

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 for purpose of filing with the Bureau of Internal Revenue is presented by the management of Quess Recruit, Inc. in a separate schedule. Revenue Regulations 19-2011 and 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule No. 68. Our opinion on the basic financial statements is not affected by the presentation of the information in the separate schedule.

Amanansala

Adrelin O. Manansala, CPA

CPA License No. 136329
Tax Identification No. 408-899-755
BOA Certificate No. 5882
September 18, 2017 valid until June 25, 2020
BIR Accreditation No. 08-006415-001-2019
March 06, 2019 valid until March 05, 2022
PTR No. 0065031 January 08, 2019, Makati City

Makati City, Philippines
May 14, 2019

ADRELIN O. MANANSALA, CPA
Assurance | Tax | Accounting & Business Services

Unit 616 Cityland 10 Tower 1 H.V Dela Costa St.cor.
Valero St.Salcedo Village, Makati city
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☎: +632 6255946

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and Board of Directors
Quess Recruit, Inc.
6F Sd Ty Tower Condo 104 Paseo de Roxas,
San Lorenzo, Legaspi Village, Makati City

I have audited the financial statements of Quess Recruit, Inc. (the Company) for the years ended March 31, 2019 and 2018, on which I have rendered the attached report dated May 14, 2019.

In compliance with Securities Regulation Code Rule No. 68, I am stating that the Company has six (6) stockholder owning one hundred (100) or more shares each.

Adrelin O. Manansala, CPA

CPA License No. 136329
Tax Identification No. 408-899-755
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September 18, 2017 valid until June 25, 2020
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Makati City, Philippines
May 14, 2019

ADRELIN O. MANANSALA, CPA
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**INDEPENDENT AUDITORS' REPORT**

The Stockholders and Board of Directors
Quess Recruit, Inc.
6F Sd Ty Tower Condo 104 Paseo de Roxas,
San Lorenzo, Legaspi Village, Makati City

I have audited the financial statements of Quess Recruit, Inc. (the Company) for the years ended March 31, 2019 and 2018, on which I have rendered the attached report dated May 14, 2019.

In compliance with Revenue Regulations V-20, I am stating that I am not related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

Adrelin O. Manansala, CPA

CPA License No. 136329
Tax Identification No. 408-899-755
BOA Certificate No. 5882
September 18, 2017 valid until June 25, 2020
BIR Accreditation No. 08-006415-001-2019
March 06, 2019 valid until March 05, 2022
PTR No. 0065031 January 08, 2019, Makati City

Makati City, Philippines
May 14, 2019

ADRELIN O. MANANSALA, CPA
Assurance | Tax | Accounting & Business Services

Unit 616 Cityland 10 Tower 1 H.V Dela Costa St.cor.
Valero St.Salcedo Village, Makati city
✉: adrelin.manansala@gmail.com
☎: +632 6255946

**INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN**

The Stockholders and Board of Directors
Quess Recruit, Inc.
6F Sd Ty Tower Condo 104 Paseo de Roxas,
San Lorenzo, Legaspi Village, Makati City

In compliance with the Revenue Regulation V-20, I am stating the following:

1.) The taxes paid or payable by the above Company during the year are shown in the schedule of Taxes and Licenses attached to the income tax return.

2.) I have no financial interest in the said Company.

Adrelin O. Manansala, CPA

CPA License No. 136329
Tax Identification No. 408-899-755
BOA Certificate No. 5882
September 18, 2017 valid until June 25, 2020
BIR Accreditation No. 08-006415-001-2019
March 06, 2019 valid until March 05, 2022
PTR No. 0065031 January 08, 2019, Makati City

Makati City, Philippines
May 14, 2019

**QUESS RECRUIT, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**As of March 31, 2019, and 2018**

*(Amounts in Philippine Pesos)*

| | Note | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash in bank | 4 | **157,070** | 661,763 |
| Accounts and other receivables | 5 | **4,835,805** | 1,625,357 |
| Other current assets | 6 | **636,191** | 25,598 |
| Total Current Assets | | **5,629,066** | 2,312,718 |
| **Non-Current Assets** | | | |
| Deferred tax assets | 7 | – | 103,631 |
| Total Non-Current Assets | | – | 103,631 |
| **Total Assets** | | **5,629,066** | 2,416,349 |

| | Note | 2019 | 2018 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current Liability** | | | |
| Accounts and other payables | 8 | **176,820** | 276,649 |
| Income tax payable | 7 | **1,108,427** | – |
| Total Current Liabilities | | **1,285,247** | – |
| **Non-Current Liability** | | | |
| Due to shareholder | 9 | – | 1,381,362 |
| **Total Liabilities** | | **1,285,247** | 1,658,011 |
| **Equity** | | | |
| Capital stock | | **1,000,000** | 1,000,000 |
| Retained earnings | | **3,343,819** | (241,662) |
| Total Equity | | **4,343,819** | 758,338 |
| **Total Liabilities and Equity** | | **5,629,066** | 2,416,349 |

See accompanying Notes to Financial Statements.

**QUESS RECRUIT, INC.**

**STATEMENTS OF COMPRHENSIVE INCOME**
**For the years ended March 31, 2019 and 2018**
*(Amounts in Philippine Pesos)*

| | Note | 2019 | 2018 |
|---|---|---|---|
| **REVENUES** | | | |
| Service income | | **6,867,961** | 1,507,774 |
| Interest income | | – | 144 |
| Total Revenues | | **6,867,961** | 1,507,918 |
| **COST OF SERVICES** | | **1,001,169** | 896,309 |
| **GROSS INCOME** | | **5,866,792** | 611,609 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | 10 | **735,572** | 575,540 |
| **INCOME BEFORE TAX** | | **5,131,220** | 36,069 |
| **PROVISION FOR INCOME TAX** | 7 | **(1,545,739)** | (10,778) |
| **NET INCOME** | | **3,585,481** | 25,291 |
| **OTHER COMPREHENSIVE INCOME NET OF TAX** | | – | – |
| **TOTAL COMPREHENSIVE INCOME** | | **3,585,481** | 25,291 |

See accompanying Notes to Financial Statements.

**QUESS RECRUIT, INC.**
**STATEMENTS OF CHANGES IN EQUITY**
**For the years ended March 31, 2019 and 2018**
*(Amounts in Philippine Pesos)*

| | 2019 | 2018 |
|---|---|---|
| **CAPITAL STOCK** | | |
| Authorized – 160,000 shares at 100 par value | | |
| Subscribed - 40,000 shares at 100 par value | **4,000,000** | 4,000,000 |
| Subscription receivable | **(3,000,000)** | (3,000,000) |
| Paid up Capital | **1,000,000** | 1,000,000 |
| **RETAINED EARNINGS** | | |
| At beginning of period | **(241,662)** | (266,953) |
| Total comprehensive loss for the period | **3,585,481** | 25,291 |
| At end of period | **3,343,819** | (241,662) |
| | **4,343,819** | 758,338 |

See accompanying Notes to Financial Statements.

## QUESS RECRUIT, INC.

**STATEMENT OF CASH FLOWS**
**For the years ended March 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income before tax | **5,131,220** | 36,069 |
| Increase in trade and other receivables | **(3,210,448)** | (1,625,357) |
| Increase in other current assets | **(610,593)** | (25,598) |
| Increase in accounts and other payables | **(433,510)** | 276,649 |
| Net cash flows used in operating activities | **876,669** | (1,338,237) |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | |
| Due to shareholder | **(1,381,362)** | 1,000,000 |
| Net cash flows provided by financing activity | **(1,381,362)** | 1,000,000 |
| **NET DECREASE IN CASH IN BANK** | **(504,693)** | (338,237) |
| **CASH IN BANK AT BEGINNING OF YEAR** | **661,763** | 1,000,000 |
| **CASH IN BANK AT END OF YEAR** | **157,070** | 661,763 |

See accompanying Notes to Financial Statements.

**QUESS RECRUIT, INC.**

**NOTES TO FINANCIAL STATEMENTS**
**For the period March 31, 2019 and 2018**

## 1. General Information

Quess Recruit, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on January 03, 2017 with primary purpose to carry on the business of development of internet and internet solutions including selection and implementation of the right solutions, development of static, dynamic content and CGI from concept to installation and development of specialized quality assurance methodology including module and regression, testing, automation of rest procedures based on client requirements and set up and management of help desks deriving innovative help desk solutions for all support related work, without engaging in telecommunication and internet provide services.

The address of its registered office is 6F Sd Ty Tower Condo 104 Paseo de Roxas, San Lorenzo, Legaspi Village, Makati City

The financial statements were authorized for issue by the the Board of Directors on May 14, 2019.

## 2. Summary of Significant Accounting Policies

The Company's financial statements are prepared in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation
The financial statements have been prepared under the historical cost convention. The financial statements are presented in Philippine Peso (₱) which is the Company's functional currency. Amounts are rounded off to the nearest Philippine Peso except when otherwise indicated.

The preparation of financial statements in conformity with PFRS for SMEs requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Statement of Compliance
These financial statements have been prepared in accordance with PFRS for SMEs.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

Service Income
Service income is recognized when earned and when the service has been rendered in accordance with the terms of the contract.

Interest Income
Interest income is recognized using the effective interest method.

Expense Recognition
Expenses are recognized in the statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statements of comprehensive income on the basis of a direct association between the costs incurred and the earnings of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the associations with income can only be broadly or indirectly determined; or immediately when an expenditure produces no economic benefit or when, and to the extent that future economic benefit do not qualify, or cease to qualify for recognition in the statement of financial position as an asset.

Expenses constitute costs of administering the business. These are recognized and charged to operation as incurred.

Income Tax
*Current tax*
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carry over (NOLCO), to the extent that the taxable income will be available against temporary differences and carry forward benefits of unused MCIT and NOLCO can be utilized.

Deferred tax assets are measured at the higher amount that, on the basis of current or estimated future taxable income, is more likely than not to be recovered.

Deferred tax assets and liabilities are measured at the tax rate applicable to the period when the asset is realized, or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at reporting date. A valuation allowance is provided, on the basis of past years and future expectations, when it is not probable that taxable profits will be available against which the future income tax deductions can be utilized.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax asset against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the VAT incurred on the purchase of an asset or service is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or part of the expenses item as applicable; and

- receivable and payable that are stated with the amount of VAT included.

The net amount of VAT input credits available for offset to future VAT output is included under "VAT input - net" in the statement of financial position.

Equity

*Capital Stock*

Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as additional paid-in-capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

*Accumulated Losses*

Accumulated losses represent the cumulative balance of net loss of the Company.

Cash in bank

Cash in bank include coins and bills deposits with domestic financial institutions which are subject to insignificant risk of change in value.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realized later than 12 months after the reporting date which are presented as non-current assets.

Loans and receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

This accounting policy relates to the statement of financial position captions "Cash", "Accounts and Other Receivables" and "Other current assets".

Regular way purchases and sale of financial assets are recognized on trade date, the date on which the Company commits to purchase or sell the asset.

Loans and receivables are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired and recognizes an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated cash future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortized cost has no impairment been recognized in prior periods.

Fair value estimation of financial assets and liabilities
The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. The quoted market prices used for financial assets are the current bid process; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortized cost approximate their carrying amounts.

Other financial liabilities at amortized cost
Other financial liabilities pertain to financial liabilities not classified or designated as financial liabilities at FVPL where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate.

Amortized cost is calculated by taking into account any discount and premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Company's account and other payables, due to shareholders and other non current liabilities.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.
Impairment of Financial Assets

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions correlate with defaults.

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows 9excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset.

Loans, together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as past-due status and term. Future cash flows in a group of financial assets that are collectively evaluation of impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics, similar to those in the group.

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized by the Company when:

- the right to receive cash flows from the asset has expired; or

- the Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from an asset and either transferred substantially all the risk and rewards of the assets, but has transferred control over the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risk and rewards of the asset but has transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the company could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified. Such an exchange or modification is treated as derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amounts are recognized in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intension to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements as the related assets and liabilities are presented gross in the separate statements of financial position.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realized later than 12 months after the reporting date which are presented as non-current assets.

Receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Regular way purchases and sale of financial assets are recognized on trade date, the date on which the Company commits to purchase or sell the asset.

Receivables are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired and recognizes an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated cash future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortized cost has no impairment been recognized in prior periods.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Prepaid income tax
Creditable withholding taxes that can be claimed for future years as reduction to income taxes are initially recognized as prepaid taxes in the statement of financial position.

Creditable withholding taxes are deductible from income tax due on the same year the revenue was recognized. Creditable withholding taxes in excess of income tax due are carried forward to the succeeding year. Creditable withholding taxes are settled are their estimated net recoverable amount.

Accounts and Other Payables
Account and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Related Parties
Parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals and post-employment benefit plans which are for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Events After Financial Reporting Date
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not an adjusting event is disclosed in financial statements when material.

## 3. Significant Accounting Estimates

The preparation of the accompanying financial statements in conformity with PFRS for SMEs requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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 amount of assets and liabilities within the next financial year are discussed below:

*Realizability of deferred tax assets*
The carrying amount of deferred tax assets is reviewed at each reporting date and provided with valuation allowance to the extend it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment

on deductible temporary differences is based on the past years and projected future taxable income.

*Estimating allowance for impairment losses*
The Company maintains allowance for impairment losses at a level considered adequate to provide for potential unrecoverable amounts. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of relationship with the financial institutions, the financial institution's payment behavior and known market factors. The Company reviews the status of cash in bank and identifies accounts that are to be provided with allowance on a continuous basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in the allowance for impairment losses would increase recorded expenses and decrease current assets.

## 4. Cash in Bank

Cash in bank consist of deposit accounts with local financial institutions. Cash in bank earns interest at the prevailing bank deposit rates.

## 5. Account and Other Receivables

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Account receivable | **4,293,898** | 1,067,857 |
| Advances to officers and employees | **541,907** | 557,500 |
| Total | **4,835,805** | 1,625,357 |

## 6. Other Current Assets

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Advances to related parties | **593,362** | – |
| Prepaid expense | **30,938** | – |
| Input VAT | **11,891** | 19,595 |
| Creditable withholding tax | – | 6,003 |
| Total | **636,191** | 25,598 |

7. **Income Taxes**

The provision for income tax in 2019 and 2018 pertains to deductible temporary differences. The components of the Company's provision for income tax are as follow:

| | **2019** | 2018 |
|---|---|---|
| Net income before tax | **5,131,220** | 36,069 |
| Add (deduct) reconciling items: | | |
| Interest income | **-** | – |
| Penalty expense | **21,243** | – |
| NOLCO utilization | **(345,437)** | 35,925 |
| Taxable income | **4,807,026** | – |
| Income tax rate | **30%** | 30% |
| Provision for income tax - current | **1,442,108** | – |
| Provision for income tax - deferred | **103,631** | 10,778 |
| Provision for income tax | **1,545,739** | 10,778 |

he component of the Company's deductible temporary difference as of March 31, 2019 and 2018 is as follow:

| | **2019** | 2018 |
|---|---|---|
| NOLCO | – | **345,437** |

As of March 31, 2019, the Company's NOLCO that can be claimed as deductions from future taxable income follows:

| Year Incurred | Amount | Expired | Utilized | Balance | Expiry Date |
|---|---|---|---|---|---|
| 2017 | 345,437 | – | 345,437 | – | 2020 |

The rollforward analyses on income tax payable follows:

| | **2019** | 2018 |
|---|---|---|
| Income tax payable, beginning | **1,442,108** | – |
| Payment of income tax | **(207,105)** | – |
| Creditable withholding tax applied | **(126,576)** | – |
| Income tax payable, end | **1,108,427** | – |

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Company has not recognized a valuation allowance against the deferred tax assets because on the basis of past years and future expectations, management considers it probable that taxable profits will be available against which the future income tax deductions can be utilized.

## 8. Trade and Other Payables

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Accounts payable | **24,116** | 212,800 |
| Accrued expense | **105,897** | 35,433 |
| Government dues | **46,807** | 28,416 |
| Total | **176,820** | 276,649 |

## 9. Related Party Transactions

In the normal course of business, the Company has made advances from its stockholders for financial support to the operations. The balance of advances to/ from stockholders as of March 31, 2019 and 2018 amounts to 593,362 and 1,381,362, respectively. These advances are non-interest bearing with no fixed-repayment terms and unsecured. These advances will be settled in cash.

## 10. Cost of Services

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Salaries and wages | **856,319** | 760,228 |
| 13th month and other benefits | **122,546** | 107,693 |
| SSS, PHIC and HDMF contributions | **22,304** | 28,388 |
| Total | **1,001,169** | 896,309 |

## 11. General and Administrative Expense

This account consists of:

| | **2019** | 2018 |
|---|---|---|
| Professional fees | **283,000** | 265,000 |
| Transportation and travel | **151,445** | 134,063 |
| Director's fee | **100,000** | 101,450 |
| Audit fees | **85,000** | – |
| Membership fee | **39,744** | – |
| Insurance expense | **25,578** | – |
| Penalty expense | **21,243** | – |
| Taxes and licenses | **10,811** | 15,919 |
| Communication | **15,286** | 2,402 |
| Bank charges | **3,465** | – |
| Miscellaneous expense | **–** | 56,706 |
| Total | **735,572** | 575,540 |

12. **Supplementary Information Required by RR 15-2010 and RR 19-2011 of the Bureau of Internal Revenue**

The following taxes were paid/reported by the Company in 2019:

As at and for the year ended March 31, 201,9 the Company reported and paid the following taxes.

Value Added Tax (VAT)
The Company's sales are subject to output VAT while its expenses from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. VAT output declared in the Company's VAT returns

| | Net Receipts | Output VAT |
|---|---|---|
| VAT-able receipts | 1,663,351 | 199,602 |
| Zero rate sales | - | - |
| Exempt sales | 1,948,467 | - |
| | 3,611,818 | 199,602 |

On sale of service, output VAT is based on gross receipt derived from sale or exchange of services. The Company declares output VAT based on collection.

b. Details of VAT input declared in the Company's VAT returns

| | Input VAT |
|---|---|
| Purchases of capital goods | - |
| Domestic purchase/payments for goods and Services | 78,071 |
| Total | 78,071 |

Withholding Taxes
Details of taxes withheld for the year ended March 31, 2019 follow:

| | Amount |
|---|---|
| Expanded withholding tax | 83,779 |
| Compensation withholding tax | 156,427 |

The Company's schedules for the year ended March 31, 2019 follows:

Sale of service
The Company has revenue for the year ended March 31, 2019 amounted to 6,867,961 The Company's revenues are subject to the regular income tax rate of 30%.

Cost of services
The Company has cost of services for the year ended March 31, 2019. The Company's cost of services is subject to the regular income tax rate of 30%.

Non-operating and taxable other income
The Company has no non-operating taxable other income during the year.

Itemized deductions

The Company has the following itemized deductions presented in its annual income tax return as of and for the period ended March 31, 2019.

| | |
|---|---|
| Professional fees | 283,000 |
| Transportation and travel | 151,445 |
| Director's fee | 100,000 |
| Audit fees | 85,000 |
| Membership fee | 39,744 |
| Insurance expense | 25,578 |
| Taxes and licenses | 10,811 |
| Communication | 15,286 |
| Bank charges | 3,465 |
| | 714,329 |

The Company's itemized deductions are subject to the regular income tax rate of 30%.

Other Taxes and Licenses

The Company did not incur any excise tax, import duties and real estate tax for the year ended March 31, 2019.

Details of other taxes and licenses paid by the Company for the year ended December 31, 2016 follow:

| | Amount |
|---|---|
| Mayor's permit | 41,249 |
| BIR annual registration fee | 500 |
| | 41,749 |

Tax Assessments and Cases

The Company has no pending tax assessments and cases with the Bureau of Internal Revenue

**Company No: 1265396 M**

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE PERIOD FROM 23RD JANUARY 2018 (DATE OF INCORPORATION) TO 31ST MARCH 2019**

**CONTENTS**

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**DIRECTOR'S REPORT**

The director hereby submit his report and the audited financial statements of the Company for the financial period ended from 23rd January 2018 (Date of Incorporation) to 31st March 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business as private employment agency, to recruit and place a worker to another employer. However, the Company has not commenced operation during the period.

## FINANCIAL RESULTS

| | RM |
|---|---|
| Net loss for the financial period | (8,879) |

## DIVIDENDS

The director did not propose any final dividends for the financial period ended 31st March 2019.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period.

## ISSUE OF SHARES

During the financial period, the following shares were issued by the Company:-

| Date of Issue | Class of shares | Number | Terms of Issue | Purpose of Issue |
|---|---|---|---|---|
| 23.1.2018 | Ordinary share | 100 | Cash | Subscribers' share |
| 3.12.2018 | Ordinary share | 249,900 | Cash | Increase in working capital |

## DIRECTORS

The directors in office during the financial period and during the period from the end of the financial period to the date of the report is:

| | |
|---|---|
| Guruprasad Srinivasan | (First director) |
| Kogilavani a/p Periyasamy | (First director) |
| Muhunthan a/l Krishnan | (First director) |
| Vijay Sivaram | (First director) |

Company No: 1265396 M

## DIRECTOR'S BENEFITS

Since the date of incorporation, no director has received or become entitled to receive any benefit by reason of a contract made by the Company or by a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial period, was the Company a party to any arrangements whose object was to enable the director to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

## DIRECTOR'S INTERESTS IN SHARES

According to the register of director's shareholdings required to be kept under Section 59 of the Companies Act 2016, the interest of director in office at the end of the financial period in shares in the Company was as follows:-

| | Number of Ordinary Shares | | | |
|---|---|---|---|---|
| | **As at 23.1.2018** | **Bought** | **Sold** | **As at 31.3.2019** |
| Kogilavani a/p Periyasamy | 25 | 62,475 | - | 62,500 |
| Muhunthan a/l Krishnan | 26 | 64,974 | - | 65,000 |

No other directors in office held any interest in shares of the Company at the end of financial period.

## DIRECTOR'S REMUNERATION

No director's remuneration was paid or payable for director and past director of the Company during the financial period.

No indemnities have been given or insurance premium paid for director or officers of the Company during the financial period.

## OTHER STATUTORY INFORMATION

As the Company has no current asset other than cash at bank, there is no information to disclose in the Director's Report pursuant to Fifth Schedule Part 1(I)(g), (i), (h) and (j)(i) of the Companies Act 2016 as amended.

At the date of this report, the director is not aware of any circumstances:

(a) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(b) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial period which secures the liability of any other person; or

(b) any contingent liability in respect of the Company which has arisen since the end of the financial period.

No contingent liability or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the director, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

At the date of this report, the director is not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.

In the opinion of the director:

(a) the results of the operations of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

**AUDITORS' REMUNERATION**

Total amounts paid to or receivable by auditors as remuneration for their services as auditor is disclosed in Note 10 to the financial statements.

There are no indemnity and insurance purchased for the auditors of the Company during the financial period.

Company No: 1265396 M

## AUDITORS

The auditors, Messrs HALS & Associates have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 24 APR 2019

Signed on behalf of the Board of Directors

| | | |
|---|---|---|
| GURUPRASAD SRINIVASAN | ) | Directors |
| VIJAY SIVARAM | ) | |

KUALA LUMPUR

Company No: 1265396 M

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019**

| | Note | 2019 RM |
|---|---|---|
| ASSETS | | |
| CURRENT ASSET | | |
| Cash and cash equivalents | 7 | 251,985 |
| Total current asset | | 251,985 |
| TOTAL ASSETS | | 251,985 |
| EQUITY | | |
| Share capital | 8 | 250,000 |
| Accumulated loss | | (8,879) |
| Total equity | | 241,121 |
| CURRENT LIABILITIES | | |
| Accruals | | 3,219 |
| Amount due to a related party | 9 | 7,645 |
| Total current liabilities | | 10,864 |
| TOTAL LIABILITIES | | 10,864 |
| TOTAL EQUITY AND LIABILITIES | | 251,985 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 15.

Company No: 1265396 M

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 23RD JANUARY 2018 (DATE OF INCORPORATION) TO 31ST MARCH 2019**

| | Note | 23.1.2018 to 31.3.2019 RM |
|---|---|---|
| REVENUE | | - |
| Less: ADMINISTRATIVE EXPENSES | | (8,879) |
| LOSS BEFORE TAXATION | 10 | (8,879) |
| TAXATION | 11 | - |
| LOSS FOR THE PERIOD | | (8,879) |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 15.

Company No: 1265396 M

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE PERIOD FROM 23RD JANUARY 2018**
**(DATE OF INCORPORATION) TO 31ST MARCH 2019**

| | Note | Share Capital RM | Accumulated Loss RM | Total Equity RM |
|---|---|---|---|---|
| Balance at 23rd January 2018 (Date of incorporation) | | 100 | - | 100 |
| Transactions with owners of the Company | | | | |
| Issue of share capital | 8 | 249,900 | - | 249,900 |
| Total transactions with owners of the Company | | 249,900 | - | 249,900 |
| Non-owner changes in equity | | | | |
| Loss for the period | | - | (8,879) | (8,879) |
| Total comprehensive loss for the period | | - | (8,879) | (8,879) |
| Balance at 31st March 2019 | | 250,000 | (8,879) | 241,121 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 15.

Company No: 1265396 M

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS**
**FOR THE PERIOD FROM 23RD JANUARY 2018**
**(DATE OF INCORPORATION) TO 31ST MARCH 2019**

| | Note | 23.1.2018 to 31.3.2019 RM |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before taxation | | (8,879) |
| OPERATING LOSS BEFORE WORKING CAPITAL CHANGES | | (8,879) |
| Increase in payables | | 10,864 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | 1,985 |
| CASH FLOW FROM FINANCING ACTIVITY | | |
| Issue of share capital | | 250,000 |
| NET CASH GENERATED FROM FINANCING ACTIVITY | | 250,000 |
| Net increase in cash and cash equivalents | | 251,985 |
| Cash and cash equivalents at beginning of the period | | - |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 7 | 251,985 |

The above statement is to be read in conjunction with the notes to the financial statements on pages 9 to 15.

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS – 31ST MARCH 2019**

## 1. GENERAL

The financial statements of the Company are presented in Ringgit Malaysia (RM) which is the Company's functional currency. All financial information is presented in RM.

The Company was incorporated and domiciled in Malaysia as a private company limited by shares. It is resident in Malaysia with its registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business at Unit 25-13A, Level 25, Q Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business as private employment agency, to recruit and place a worker to another employer. However, the Company has not commenced operation during the period.

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with Malaysian Private Entities Reporting Standard ("MPERS") issued by Malaysian Accounting Standards Board's ("MASB") and the provisions of the Companies Act 2016.

## 4. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved by the Director for issuance on...24 APR 2019.....

## 5. BASIS OF PREPARATION

### 5.1 Basis of Measurement

The financial statements of the Company have been prepared using cost bases (which include historical cost, amortised cost) and fair value bases.

### 5.2 Critical Judgements and Estimates Uncertainty

The preparation of the financial statements in conformity with MPERS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognized in the financial statements.

## 6. SIGNIFICANT ACCOUNTING POLICIES

### (a) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or financial liability is recognisd in the statement of financial position when, and only when the Company becomes a party to the contractual provisions of the instruments.

A financial instrument is recognised initially at the transaction price (including transaction costs except in the initial measurement of a financial asset or financial liability that is measured at fair value through profit or loss, transaction cost are expensed to profit or loss when incurred) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instruments.

#### (ii) Subsequent measurement

For the purpose of subsequent measurement, the Company classifies financial assets into two categories, namely: (i) financial assets at fair value through profit or loss, and (ii) financial assets at amortised costs.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 6a(v).

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

#### (iii) Fair Value Measurement of Financial Instruments

All other financial assets or liabilities not measured at amortised cost or cost less impairment are measured at fair value with changes recognised in profit or loss.

The fair value is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique.

#### (iv) Recognition of Gains and Losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognized in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognized in profit or loss only when the financial asset or financial liability is derecognized or impaired, and through the amortization process of the instruments.

(v) **Impairment and Uncollectibility of Financial Assets**

The Company applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset (except for financial assets measured at fair value through profit or loss) or a group of financial assets is impaired.

An impairment loss is measured as follows:-

* For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

* For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

(vi) **Derecognition**

A financial asset or part of it is derecognized when, and only when, the contractual rights to the cash flows from the financial asset expire or are settled, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of financial asset, the difference between the carrying amount of the financial asset derecognized and the consideration received, including any newly created rights, and obligations, is recognized in profit or loss.

A financial liability or part of it is derecognized when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(b) **Equity instruments**

Ordinary shares classified as equity, are measured at cost on initial recognition and are not remeasured subsequently.

(c) **Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial periods.

Deferred tax is provided by the balance sheet liability method based on all taxable temporary differences by comparing carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax is not recognized if the temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time the transaction, affects neither accounting profit nor taxable profits.

Deferred tax is measured at the tax rates that is expected to be applied to the temporary differences when they reverse, based on tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilized.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

(d) **Cash and Cash Equivalents**

Cash and cash equivalents consists of cash in hand, bank balances, deposits with bank and highly liquid investments with maturing within three months from the date of acquisition which are readily convertible to known amount of cash which are subject to an insignificant risk of change in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 7. CASH AND CASH EQUIVALENTS

| | 2019 |
|---|---|
| | RM |
| Cash at bank | 251,985 |

## 8. SHARE CAPITAL

| | 2019 | 2019 |
|---|---|---|
| | No. | RM |
| Issued and fully paid: | | |
| Ordinary shares | | |
| At date of incorporation | 100 | 100 |
| Add: Issued during the period | 249,900 | 249,900 |
| At end of the period | 250,000 | 250,000 |

## 9. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party represents non-trade advances made and is unsecured, interest free and payable on demand.

## 10. LOSS BEFORE TAXATION

| | 23.1.2018 to 31.3.2019 |
|---|---|
| | RM |
| Loss from operations before taxation is stated after charging:- | |
| Audit fee | 2,000 |

## 11. TAXATION

There is no charge to taxation as the Company had no chargeable income during the financial period.

The tax rate is 18% on the first RM500,000 and 24% on the remaining balance of chargeable income for small-medium industries with paid up capital of less than RM2.5 million .

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:-

| | **23.1.2018 to 31.3.2019 RM** |
|---|---|
| Loss before taxation | (8,879) |
| Taxation at Malaysian Statutory tax rate of 18% | (1,598) |
| Expenses not deductible for tax purposes | 1,598 |
| Tax expense for the period | - |

The above are subject to the approval of the tax authorities.

## 12. FINANCIAL INSTRUMENTS

### 12.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorized as follows:-

(a) Financial assets and financial liabilities measured at amortised cost ("AC").

| **2019**<br>**Financial asset** | **Carrying Amount RM** | **AC RM** |
|---|---|---|
| Cash and cash equivalents | 251,985 | 251,985 |
| **Financial liabilities** | | |
| Accruals | 3,219 | 3,219 |
| Amount due to a related party | 7,645 | 7,645 |
| | 10,864 | 10,864 |

13. **GOING CONCERN**

At the period end, the Company had accumulated losses of RM8,879 as at that date. The Company incurred a net loss of RM8,879 during the financial year.

The financial statements of the Company have been prepared on a going concern basis in view of:-

(i) the availability of continued financial support from its directors and shareholders;

(ii) realisation of assets by the Company is expected to be undertaken in the ordinary course of business; and

(iii) the Company is not expected to materially curtail or cease its operation in the foreseeable future.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

14. **COMPARATIVE FIGURES**

There are no comparative figures available as this is the Company's first set of financial statements.

Company No: 1265396 M

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTOR PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, GURUPRASAD SRINIVASAN and VIJAY SIVARAM, the directors of AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD., do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 5 to 15 are drawn up so as to give a true and fair view of the financial position of the Company as at 31st March 2019 and financial performance of the Company for the financial period ended 31st March 2019 in accordance with the Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated

24 APR 2019

GURUPRASAD SRINIVASAN

VIJAY SIVARAM

**STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, VIJAY SIVARAM, Passport No. Z 5177137, the director primarily responsible for the financial management of AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 5 to 15 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in Wilayah Persekutuan on

24 APR 2019

Before me,

PESURUHJAYA SUMPAH
W 749
AMIRUL IMRAN BIN MOHD ALI
1/10/2018-31/12/2020
MALAYSIA

VIJAY SIVARAM

COMMISSIONER FOR OATHS

No. 29, Tingkat Satu
Jalan Melayu
50100 Kuala Lumpur

Company No: 1265396 M

HALS & Associates
Chartered Accountants
AF No: 0755

**INDEPENDENT AUDITORS' REPORT**
**TO THE MEMBERS OF**
**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD. which comprise the statement of financial position as at 31st March 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 23rd January 2018 (Date of incorporation) to 31st March 2019, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 5 to 15.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2019 and of its financial performance and its cash flows for the period from 23rd January 2018 (Date of incorporation) to 31st March 2019 in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The director of the Company is responsible for the other information. The other information comprises the Director's Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Director's Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Director's Report and, in doing so, consider whether the Director's Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Director's Report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Director for the Financial Statements**

The director of the Company is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia. The director is also responsible for such internal control as the director determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain 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.

* Obtain 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 Company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.

* Conclude on the appropriateness of the director'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 auditors' report to the related disclosures in the financial statements of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

* Evaluate the overall presentations, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**HALS & ASSOCIATES**
**A.F. 0755**
**CHARTERED ACCOUNTANTS**

**Lim Kian Keong**
**Bil 02043/09/2020 J**
**Partner**

DATE: 24 APR 2019

KUALA LUMPUR

AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.
(Incorporated in Malaysia)

**The page which follows does not**

**form part of the Statutory**

**financial statements of the Company**

**AGENCY PEKERJAAN QUESS RECRUIT SDN. BHD.**
(Incorporated in Malaysia)

**DETAILED INCOME STATEMENT**
**FOR THE PERIOD FROM 23RD JANUARY 2018 (DATE OF INCORPORATION)**
**TO 31ST MARCH 2019**

| | 23.1.2018 to 31.3.2019 RM |
|---|---|
| REVENUE | - |
| Less: ADMINISTRATIVE EXPENSES | |
| Audit fee | 2,000 |
| Bank charges | 15 |
| Printing and stationery | 214 |
| Secretarial and filling fee | 6,650 |
| | 8,879 |
| LOSS BEFORE TAXATION | (8,879) |